

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-114-04**

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 2005 Rates
and an Income Trust Application**

BEFORE: Robert Hobbs, Chair December 21, 2004

O R D E R

WHEREAS:

- A. On December 17, 2004, Pacific Northern Gas Ltd. ("PNG") filed for approval of its 2005 Revenue Requirements Application ("the Application") to amend its rates on an interim and final basis, effective January 1, 2005, 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 West Fraser Mills and Methanex Corporation, as a result of increases in cost of service and lower gas deliveries to most customer classes; and
- C. The Application requests approval to increase its common equity thickness from 36 percent to 51 percent in 2005; and
- D. On December 17, 2004, Pacific Northern Gas Ltd. ("PNG") filed an application to convert PNG to an income trust structure ("the Applications"); and
- E. On December 7, 2004 PNG filed its Fourth Quarter 2004 Report on gas supply costs and Gas Cost Variance Account ("GCVA") balances ("the Report") which requested approval of increases effective January 1, 2005 to Gas Supply Charges based on November 24, 2004 forward natural gas prices and a November 10, 2004 propane price forecast. PNG proposed no change be made to the GCVA rate rider; and
- F. The Report projects significant GCVA credit balances for PNG Core Market Sales and Company Use Gas at the end of December 2004; and
- G. The Commission, in its desire to deal efficiently with the Applications, requires that a Pre-hearing Conference be established.

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NOW THEREFORE the Commission orders as follows:

1. A Pre-hearing Conference will be held before the Commission Panel on Thursday, January 20, 2005, commencing at 1:30 p.m. in the Commission's Hearing Room, Sixth Floor, 900 Howe Street, Vancouver, B.C. to address procedural matters which will include, but not be limited to, the following:
 - identification of principal issues arising from or related to the Applications,
 - process options for review of the Applications, 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 Applications.

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

2. 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, except West Fraser Mills and Methanex Corporation, based on the deemed equity component of 36 percent effective January 1, 2005.
3. The Commission, pursuant to Section 61(4) of the Act, approves for PNG and Granisle Propane permanent Gas Supply Charges as set out in the Report, effective January 1, 2005.
4. The Commission pursuant to section 61(4) of the Act, approves permanent GCVA credit rate riders for PNG effective January 1, 2005 which will be calculated on the basis that the end-of-2004 GCVA credit balance for Core Market Sales will be amortized over one year, and the end-of-2004 GCVA credit balance for Company Use Gas will be amortized over two years.
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 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 Applications 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 Intervenors and Interested Parties registered in the PNG 2004 Revenue Requirements Application proceedings, as well as all large industrial customers, as soon as possible.
10. Intervenors and Interested Parties should register with the Commission, in writing, by Monday, January 10, 2005, of their intention to intervene and/or to attend the Pre-hearing Conference.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of December 2004.

BY ORDER

Original signed by:

Robert H. Hobbs
Chair

Attachments



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PACIFIC NORTHERN GAS LTD.
Application for Approval of 2005 Revenue Requirements
and an Income Trust Application

PRE-HEARING CONFERENCE

Pre-Hearing Conference

Date: Thursday, January 20, 2005
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, 2005, to recover increased revenue requirements associated with delivering natural gas and the increased commodity cost of gas. The Application requests an increase of about 15 percent in the gas delivery charge and an increase of about 11 percent in the gas commodity charges for residential and small commercial rates effective January 1, 2005.

The Application forecasts a 2005 revenue deficiency of \$3.1 million partly due to the Company proposing an increase to its common equity thickness for rate making purposes from 36 percent to 51 percent.

PNG has also filed an Application with the Commission to convert the Company to an income trust structure ("the Applications").

THE REGULATORY PROCESS

By Order No. G-114-04, the Commission approved the interim rate increases in the gas delivery charge of about 6 percent and permanent increases in the gas commodity charge of about 10 percent for residential and small commercial customers effective January 1, 2005. The differences between the 2005 interim and permanent delivery rates are refundable with interest.

The Commission Panel will hold a Pre-hearing Conference on Thursday, January 20, 2005, 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 Applications,
- process options for review of the Applications, 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 Applications.

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

PUBLIC INSPECTION OF THE DOCUMENTS

The Applications 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 Monday, January 10, 2005. Intervenors will receive copies of the Applications, 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 Monday, January 10, 2005. Interested Parties will receive a copy of the Applications' Executive Summary and all Orders issued.

FURTHER INFORMATION

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

Telephone: (604) 660-4700
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