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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER F-5-06**

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

**and**

**Applications for Participant Assistance Cost Awards regarding  
Terasen Gas Inc. ("TGI") and Terasen Gas (Vancouver Island) Inc. ("TGV") ("the Companies")**

**Applications to Determine the Appropriate Return on Equity ("ROE") and Capital Structure to be Used in Setting  
the Rates of the Companies commencing January 1, 2006**

**and**

**The Commission's Proceeding to Review and Revise the Automatic Adjustment Mechanism Used in Calculating  
the ROE Allowed in Rates for Public Utilities Regulated by the British Columbia Utilities Commission  
("the Application")**

**BEFORE:** R.H. Hobbs, Chair  
A.J. Pullman, Commissioner  
R.J. Milbourne, Commissioner  
May 9, 2006

**O R D E R**

**WHEREAS:**

- A. On July 22, 2004, TGI wrote to the Commission requesting that it convene a hearing to review the return on equity and capital structure. By Order No. G-88-04 the Commission determined that a hearing was not warranted at that time but concluded that such a review would be appropriate in the Fall of 2005 in time for implementation January 1, 2006; and
- B. By Application dated June 30, 2005, the Companies submit that: 1) the allowed returns on equity of both Companies should be increased to an appropriate level, 2) the common equity component in the capital structure of both Companies should be increased to properly reflect the risks of the Companies, and 3) the current ROE adjustment mechanism should be reviewed and revised to provide the Companies with a fair and adequate return on equity in future years; and
- C. By Order No. G-69-05 the Commission established a Procedural Conference that was held on Wednesday, August 3, 2005 in Vancouver, B.C.; and
- D. The Commission held an Oral Public Hearing in Vancouver that commenced on November 14, 2005 and ended on November 18, 2005; and

- E. Following the conclusion of the public hearing and issuance of the Commission's Decision by Order No. G-14-06 on March 2, 2006, the following participants filed applications for Participant Assistance Cost Awards ("PACA") for their participation in the proceeding:
- BC Public Interest Advocacy Centre representing the BC Old Age Pensioners Organization ("BCOAPO")
  - Joint Industry Electrical Steering Committee ("JIESC")
  - BC Utility Customers
  - Commercial Energy Consumers ("CEC")
  - Mr. Alan Wait
- F. On April 12, 2006 the Commission wrote to the regulated Utilities who registered as intervenors and participated in the ROE public hearing, and requested comments on the appropriate cost sharing formula for the PACA applications; and
- G. Comments were received from the utilities who actively participated in the proceeding and from those who intervened but did not actively participate in the ROE proceeding.
- H. The Commission has reviewed the PACA applications with regard to the criteria and rates set out in Commission Order No. G-15-04 and has made the appropriate corrections to the applications submitted by the BC Utility Customers and the JIESC. The Commission Panel has reduced CEC's requested PACA award from \$73,641.11 to \$69,381.94; and

**NOW THEREFORE** the Commission orders as follows:

1. The Commission Panel has determined that TGI and TGVI should be responsible for 50 percent of the approved PACA awards based on their ROE Application to the Commission.
2. The Commission Panel has further determined that the remaining 50 percent of the PACA awards should be shared by TGI and TGVI as well as Pacific Northern Gas Ltd., Pacific Northern Gas (N.E.) Ltd., Terasen Gas (Squamish) Inc., Terasen Gas (Whistler) Inc., FortisBC Inc. and British Columbia Hydro and Power Authority for the Commission's review of the ROE Benchmark.
3. The Commission Panel has determined that Princeton Light and Power Company, Limited and British Columbia Transmission Corporation did not intervene in the ROE proceeding and should not share in the PACA award cost allocation.
4. The Commission Panel has also determined that Central Heat Distribution Limited is unlikely to be affected by the ROE Decision and should not share in the PACA award cost allocation.
5. The allocation of the PACA awards to the affected utilities is to be based on their actual pro-rata 2005 energy sales converted to gigajoules. The energy allocation for PNG will be based on its 2006 gas sales estimate that was confirmed in Order No. G-16-06.

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6. Pursuant to Section 118(1) of the Utilities Commission Act, the Commission awards funds of \$239,142.24 to the following active participants in the TGI/TGVI ROE proceeding:

• BCOAPO	\$ 27,269.48
• JIESC	52,019.00
• BC Utility Customers	89,509.60
• CEC	69,381.94
• Mr. Alan Wait	<u>962.22</u>
	<u>\$ 239,142.24</u>

7. In order to expedite the payment of the PACA awards noted above, Terasen Gas is to pay the participants and collect the pro-rata costs from the regulated utilities noted below.

8. The total PACA allocation to utilities is as follows:

<u>Terasen Gas/TGVI ROE Application</u>	<u>2005 Energy Sales (GJx100)</u>	<u>PACA Allocation of Costs</u>
Terasen Gas Inc./TGVI		<u>\$119,571.12</u>
<u>Review of ROE Benchmark</u>		
BC Hydro	182,720	\$ 52,735.71
PNG	7,685	2,218.00
PNG(N.E.)	5,140	1,483.48
TGI/TGVI	210,279	60,689.64
Terasen Squamish	332	95.82
Terasen Whistler	753	217.33
FortisBC	<u>7,384</u>	<u>2,131.14</u>
	<u>414,293</u>	<u>119,571.12</u>
TOTAL		<u>\$239,142.24</u>

**DATED** at the City of Vancouver, in the Province of British Columbia, this 24<sup>th</sup> day of May 2006.

BY ORDER

*Original signed by:*

Robert H. Hobbs  
Chair