

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-109-06



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

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

**Terasen Gas Inc.
2006 Third Quarter Gas Costs Report
for Revelstoke Service Area – Propane Grid System Rates**

BEFORE: L.F. Kelsey, Commissioner September 7, 2006

O R D E R

WHEREAS:

- A. In the 2006 Third Quarter Report for Revelstoke service area, Terasen Gas Inc. (“Terasen Gas”) used a propane price forecast based on the August 21, 2006 NYMEX WTI Light Sweet Crude Oil forward price strip that indicated that the deferral balance would increase from a deficit of \$146,707 on September 30, 2006 to a deficit of \$445,868 on September 30, 2007, if the existing propane reference price was not changed. The rate change trigger mechanism was calculated to be 88.9 percent which does not fall within the deadband range of 95 percent to 105 percent and Terasen Gas proposed a change to the reference price. The twelve-month recovery of projected September 30, 2006 deferral account deficit balance added \$.0149 per litre to the proposed revised reference price of \$.3929 per litre for a total of \$.4078/litre. The resultant reference price increase of \$.0454 per litre corresponds to a rate increase of \$1.840/GJ. This equates to a burner tip increase of 9.4 percent for residential customers based on consumption of 80 GJ/year; and
- B. In the 2006 Third Quarter Report for Revelstoke, Terasen Gas also used the August 21, 2006 forward NYMEX Mt. Belvieu Propane prices and current rates. In this case, the deferral account deficit of \$140,544 at September 30, 2006 is projected to decrease to a deficit of \$129,882 at September 30, 2007. The rate change trigger mechanism is calculated to be 96.5 percent which falls within the deadband range of 95 percent to 105 percent; and
- C. On August 31, 2006 Terasen Gas provided additional information using August 21, 2006 forward prices based on NYMEX 50 percent WTI Light Sweet Crude Oil and 50 percent NYMEX Mt. Belvieu Propane futures strip and current rates indicated that the deferral balance would increase from a deficit of \$143,626 on September 30, 2006 to a deficit of \$287,931 on September 30, 2007. The rate change trigger mechanism was calculated to be 92.5 percent which does not fall within the deadband range of 95 percent to 105 percent and indicates a rate change may be warranted. The twelve month recovery of projected September 30, 2006 deferral account deficit balance adds \$.0146 per litre to the proposed revised reference price of \$.3771 per

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2

- D. litre for a total of \$.3917/litre. The reference price increase of \$.0293 per litre corresponds to a rate increase of \$1.188/GJ. This equates to a burner tip increase of 6.0 percent for residential customers based on consumption of 80 GJ/year; and
- E. Considering the uncertainty in the propane price forecast derived from the NYMEX propane and crude oil forward price strips, the rate change trigger mechanism and the size of the deferral account deficit, the Commission concludes that a change to the propane reference price is necessary at this time.

NOW THEREFORE pursuant to Section 61(4) of the Utilities Commission Act, the Commission approves a reference price increase of \$0.0293 per litre, which corresponds to a rate increase of \$1.188/GJ in customers' rates, effective October 1, 2006.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of September 2006.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner

