

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-169-06

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 Fourth Quarter Gas Costs Report  
for Revelstoke Service Area – Propane Grid System Rates**

**BEFORE:** L.F. Kelsey, Commissioner December 15, 2006  
L.A. Zaozirny, Commissioner

**O R D E R**

**WHEREAS:**

- A. In the 2006 Fourth Quarter Report for the Revelstoke service area, Terasen Gas Inc. ("Terasen Gas") compared three different forecast scenarios, and requested approval to change rates using a propane price forecast based on the November 21, 2006 NYMEX West Texas Intermediate ("WTI") light sweet crude oil forward price strip, which indicated that the deferral balance at December 31, 2006 of \$84,064 surplus would increase to a forecast surplus of \$421,222 by December 31, 2007, if the existing propane reference price was not changed. The rate change trigger mechanism was calculated to be 112.3 percent which does not fall within the deadband range of 95 percent to 105 percent and Terasen Gas proposes a decrease to the propane reference price and customer rates based on forward crude oil prices; and
- B. Terasen Gas proposes a propane reference price decrease from \$0.3917 per litre to \$0.3488 per litre, which is a decrease of \$0.0429 per litre corresponding to a rate decrease of \$1.742/GJ. This equates to a decrease of approximately \$216 or 8.4 percent in the annual bill of a typical residential customer, based on consumption of 80 gigajoules annually; and

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- C. In the 2006 Fourth Quarter Report for Revelstoke, Terasen Gas also used the November 21, 2006 forward NYMEX Mt. Belvieu Propane prices and current rates. The rate trigger mechanism was calculated to be 129.9 percent. Based on the Nymex propane forward prices, a rate decrease of \$3.661/GJ would be indicated. This equates to a burnertip decrease of 17.6 percent based on consumption of 80 gigajoules annually; and
- D. In the 2006 Fourth Quarter Report for Revelstoke, Terasen Gas also used a propane price forecast based 50 percent on November 21, 2006 forward prices using 50 percent NYMEX WTI Light Sweet Crude Oil and 50 percent NYMEX Mt. Belvieu Propane futures strip. The rate change trigger mechanism is calculated to be 120.5 percent and a decrease of \$2.700/GJ would be warranted. This equates to a decrease of approximately \$216 or 13 percent in the annual bill of a typical residential customer, based on consumption of 80 gigajoules annually; and
- E. Recognizing the uncertainty in the propane price forecasts derived from 2006 NYMEX propane or crude oil forward strips, the Commission is persuaded that a change to the propane rate for Revelstoke is necessary at this time but concludes that the change should be calculated using a propane price forecast that is based 50 percent on the November 21, 2006 forward Nymex WTI light sweet crude oil futures and 50 percent on the forward Nymex Mt. Belvieu propane prices.

**NOW THEREFORE** pursuant to Section 61(4) of the Utilities Commission Act, the Commission approves a propane reference price decrease of \$0.0665 per litre to \$0.3252 per litre, which corresponds to a reduction of \$2.700/GJ in customer rates, effective January 1, 2007.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 15<sup>th</sup> day of December 2006.

BY ORDER

*Original signed by*

L.F. Kelsey  
Commissioner