



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

and

**An Application by Terasen Gas (Vancouver Island) Inc.
for Approval of Extension of the 2006-2007
Negotiated Settlement Agreement Terms for 2008-2009**

BEFORE: L.F. Kelsey, Commissioner
L.A. Zaozirny, Commissioner January 29, 2007

O R D E R

WHEREAS:

- A. Commission Order No. G-126-05 approved for Terasen Gas (Vancouver Island) Inc. ("TGVI" or the "Company"), the 2006-2007 Negotiated Settlement Agreement (the "Settlement"); and
- B. The terms of the Settlement required TGVI to hold a Settlement Update Meeting ("Update Meeting") in November 2006 for the Company to provide an update on operations through 2006 and outlook for 2007; and
- C. Commission Order No. G-122-06 established the regulatory timetable including an Update Meeting on November 21, 2006. During the Update Meeting, the Company discussed the possibility of an application for extension of the current Settlement; and
- D. On January 22, 2007, TGVI filed its Application for Approval of Extension of the 2006-2007 Negotiated Settlement Agreement Terms for 2008-2009 (the "Application"); and
- E. TGVI states in its Application that it engaged in stakeholder consultation during December 2006 and January 2007 with representatives from the following stakeholder groups:
 - Commercial Energy Consumers Association of British Columbia;
 - British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al.;
 - Ministry of Energy of Mines & Petroleum Resources ("MEMPR");
 - British Columbia Hydro and Power Authority ("BC Hydro");
 - Rental Owners and Managers Society of BC ("ROMS");
 - Vancouver Island Gas Joint Venture; and
- F. Appendix A to the Application sets out the proposed terms of a two-year extension, which terms had been reviewed with stakeholders during consultation. The proposed terms are mostly extensions of terms and contain a similar formula, mechanisms, methodologies and wordings as the current Settlement, with the exception of the Productivity Factor used in determination of the Allowed Gross OM&A expense for 2008 and 2009 is set at 66% of the assumed inflation rate, whereas in the current Settlement the Productivity Factor

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**ORDER
NUMBER** G-9-07

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is 1/3 of the assumed inflation rate for 2007. In the two-year extension the inflation rate is set at 2.0 percent for 2008 and 2009. In the current Settlement for 2006 and 2007 the inflation rate is set at 2.2 percent; and

- G. TGVI in response to BC Hydro states that the rate base and cost of service for TGVI will be adjusted to reflect the Whistler Natural Gas Pipeline in accordance with the Commission Order No. G-53-06 and its Decision, Commission Order No. G-76-06 and its Reasons for Decision approving the pipeline cost risk sharing mechanism, and Commission Order No. C-3-06 granting the Certificate of Public Convenience and Necessity. TGVI states in its Application that these CPCN related costs will be included in Settlement Update Filings proposed under the extension; and
- H. The Application includes stakeholder letters from MEMPR and ROMS. MEMPR states it would support a two-year extension period to TGVI Settlement. ROMS does not object to the TGVI proposal subject to three concerns outlined in its letter; and
- I. BC Hydro filed a letter on January 22, 2007 that states BC Hydro is willing to support a two-year extension of the current TGVI Revenue Requirement, with the condition that, in the event of the forecast elimination of the TGVI Revenue Deficiency Deferral Account before the end of 2009, TGVI would commit to file with the Commission a comprehensive revenue requirement and rates review submission; and
- J. The Commission has reviewed the TGVI Application and considers that a written regulatory process is required.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission establishes a written public hearing process for the review of the Application, and sets down the Regulatory Timetable for the proceeding that is attached as Appendix A to this Order.
- 2. TGVI is to provide copies of the Application to all Intervenor, Interested Parties, and stakeholders in the TGVI 2006-2007 Revenue Requirement Application and Negotiated Settlement Agreement.

DATED at the City of Vancouver, In the Province of British Columbia, this 30th day of January, 2007.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner

Attachment

TERASEN GAS (VANCOUVER ISLAND) INC. (“TGVI”)
Application for Approval of the
Extension of the 2006-2007 Negotiated Settlement Agreement Terms for 2008-2009

REGULATORY TIMETABLE

ACTION	DATE (2007)
TGVI to provide copies of the Application to all Intervenors, Interested Parties, and Stakeholders	Friday, February 2
Commission and Intervenor Information Requests No. 1 to TGVI	Friday, February 9
TGVI Responses to Commission and Intervenor Information Requests	Wednesday, February 14
Intervenors, Interested Parties and Stakeholders Comments	Wednesday, February 21
TGVI Reply Comments	Monday, February 26