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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-3-07

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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 (N.E.) Ltd.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
for Approval of 2007 Revenue requirements and Rates**

BEFORE: L.A. Zaozirny, Panel Chair and Commissioner
L.A. O'Hara, Commissioner January 12, 2007

O R D E R

WHEREAS:

- A. On October 26, 2006, Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions filed for approval of its 2007 Revenue Requirements Application ("the Application"). PNG (N.E.) proposes to amend its rates on an interim and final basis, effective January 1, 2007, pursuant to Sections 89 and 58 of the Utilities Commission Act ("the Act"); and
- B. PNG (N.E.) FSJ/DC Division projects a revenue deficiency of \$109,000 for the 2007 test year. This revenue deficiency is primarily driven by increases in the 2007 cost of service; and
- C. For the PNG (N.E.) FSJ/DC Division, a detailed analysis of property, plant and equipment cost and retirement records has been conducted in 2006, as a result of which various assets were identified as retired or disposed of in prior years with no retirement being recorded. The PNG (N.E.) FSJ/DC Division has reversed this accumulated depreciation, and transferred the balance to a new credit deferral account for refund to customers. The PNG (N.E.) FSJ/DC Division is amortizing the depreciation credit in rates (\$300,000 per annum) over the 2007/2008 two year period; and
- D. For all customers of the PNG (N.E.) FSJ/DC Division, the Application proposes to increase the Delivery Charge in rates; and
- E. For all customers of the PNG (N.E.) FSJ/DC Division, the Application proposes to decrease the Company Use Gas Cost ("CUGC") rate by \$0.001/GJ; and
- F. The PNG (N.E.) TR Division projects a revenue sufficiency of \$167,000 for the 2007 test year. This revenue sufficiency is primarily the result of reductions in the cost of service and an increased margin revenue forecast; and

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- G. For the PNG (N.E.) TR Division, a detailed analysis of property, plant and equipment cost and retirement records has been conducted in 2006, as a result of which various assets were identified as retired or disposed of in prior years with no retirement being recorded. The PNG (N.E.) TR Division has reversed this accumulated depreciation, and transferred the balance to a new credit deferral account, for refund to customers. A total of \$288,000 was recorded in the depreciation adjustment credit deferral account in 2006. The PNG (N.E.) TR Division decided to amortize part of this credit deferral in 2006 as an offset to the pre-existing Babcock line break and the Tumbler Ridge processing plant upset debit deferral accounts. The balance of these two debit deferral accounts at the end of 2006 would have been \$131,000. The PNG (N.E.) TR Division is seeking Commission approval to fully amortize these deferral accounts in 2006 by using \$131,000 of the depreciation adjustment credit deferral account in 2006. The PNG (N.E.) TR Division is amortizing the 2007 opening balance of the depreciation adjustment credit deferral account in rates over the 2007/2008 two year period; and
- H. For all customers of the PNG (N.E.) TR Division, the Application proposes to decrease the Delivery Charge in rates; and
- I. For all customers of the PNG (N.E.) TR Division, except Industrial Transportation Service customers, the Application proposes to decrease the CUGC rate by \$0.148/GJ; and
- J. PNG (N.E.) proposes to amortize the projected September 30, 2006 Revenue Stabilization Adjustment Mechanism ("RSAM") balances over a three-year period and recover the annual amortization by way of a rate rider. The rider is only applicable to the Residential and Small Commercial sales rate classes. For the PNG (N.E.) FSJ/DC Division the rider amounts to \$0.155/GJ, effective January 1, 2007 (an increase of \$0.041/GJ over the rider of \$0.114/GJ in effect on October 1, 2006). For the PNG (N.E.) TR Division the rider amounts to \$0.370, effective January 1, 2007 (a decrease of \$0.161/GJ from the rider of \$0.531/GJ in effect on October 1, 2006); and
- K. By Commission Order No. G-146-06 the Commission, pursuant to Sections 89 and 61(4) of the Act, approved for PNG interim rate changes in the Delivery Charges in rates for all class of customers and an interim rate change in the RSAM rider for Residential and Small commercial sales customers, all as filed in the Application, and interim Company Use Gas Cost rates of for the PNG (N.E.) FSJ/DC Division and the PNG (N.E.) TR Division, effective January 1, 2007; and
- L. By Commission Order No. G-153-06 the Commission also required PNG (N.E.) to publish a Notice of Public Hearing Process, which requested that Intervenors and Interested Parties register by Thursday, December 21, 2006 and invited Intervenors to make submissions with respect to the type of process (e.g. oral public hearing, written hearing or negotiated settlement process) that would be appropriate for the review of the Application.

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M. The Commission has considered the submissions received and has determined that a written regulatory process should be established to review the Application.

NOW THEREFORE 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.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of January 2007.

BY ORDER

Original signed by:

L.A. Zaozirny
Panel Chair and Commissioner

Attachment

PACIFIC NORTHERN GAS (N.E.) LTD.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
Application for Approval of 2007 Revenue Requirements and Rates

REGULATORY TIMETABLE

ACTION	DATE (2007)
Intervenor Information Requests No. 1 to PNG (N.E.)	Tuesday, January 23, 2007
Commission Information Requests No. 2 to PNG (N.E.)	Wednesday, February 7, 2007
PNG (N.E.) Responses to Commission and Intervenor Information Requests	Thursday, February 15, 2007
PNG (N.E.) Year-End Update	Thursday, February 22, 2007
Intervenor Information Requests No. 2 to PNG and Commission Information Requests No. 3 to PNG	Thursday, March 1, 2007
PNG (N.E.) Responses to Commission and Intervenor Information Requests	Thursday, March 8, 2007
PNG (N.E.) Final Submissions	Thursday, March 15, 2007
Intervenor Final Submissions	Thursday, March 22, 2007
PNG (N.E.) Reply Submissions	Thursday, March 29, 2007