

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-74-07

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**

**An Application by Terasen Gas Inc.  
regarding Rate Schedules 7, 10 and 14A  
for Market-Based Commodity Rates for the 2007/08 Gas Contract Year**

**BEFORE:** L.F. Kelsey, Commissioner June 28, 2007

**O R D E R**

**WHEREAS:**

- A. By Order No. G-54-06 and attached Reasons for Decision, the Commission approved for Terasen Gas Inc. ("Terasen Gas") market-based commodity rates for the 2006/07 gas contract year for Rate Schedule 7 – bundled General Interruptible Service, Rate Schedule 10 – commodity Large Volume Interruptible Sales, and Rate Schedule 14A – commodity Term and Spot Gas Sales; and
- B. On April 8, 2007, Terasen Gas filed an application (the "Application") regarding Rate Schedules 7, 10 and 14A for approval of market-based gas commodity rates for the gas contract year commencing November 1, 2007 and ending October 31, 2008 (the "2007/08 gas contract year"); and
- C. The Application requested approval of Rate Schedule 7 as a permanent rate schedule, the elimination of Rate Schedule 10 for 2007/08 and proposed that the current terms of service for Rate Schedule 14A continue in effect for the 2007/08 gas contract year; and
- D. The Commission by letter dated April 18, 2007 invited written comments on the Application from interested parties; and
- E. On March 4, 2007, Direct Energy Marketing Limited filed comments on the Application; and
- F. On May 16, 2007, Terasen Gas submitted its reply to the comments from Direct; and
- G. The Commission has considered the Application and the written submissions that it has received, and is satisfied that the Application should be approved, for the reasons that are set out in the Reasons for Decision that are attached as Appendix A to this Order.

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-74-07

2

**NOW THEREFORE** the Commission orders as follows for Terasen Gas:

1. The Commission approves the Rate Schedule 7 tariff as a permanent rate schedule effective November 1, 2007, as set out in the Application.
2. The Commission approves the elimination of the Rate Schedule 10 tariff effective November 1, 2007.
3. The Commission approves the extension of the Rate Schedule 14A tariff without changes for the 2007/08 gas contract year, as set out in the Application.
4. The Commission will accept, subject to timely filing, Gas Tariff Rate Schedules in accordance with this Order and the Reasons for Decision attached as Appendix A.
5. Terasen Gas will provide a copy of this Order and Reasons for Decision to all current customers of Rate Schedules 7, 10 and 14A.
6. Terasen Gas will file a report for Rate Schedule 14A within 30 days of the end of each gas contract year that summarizes monthly gas purchase and sales quantities, and costs and revenue for each month.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 28th day of June 2007.

BY ORDER

*Original signed by*

L.F. Kelsey  
Commissioner

Attachment

**TERASEN GAS INC.**  
**APPLICATION REGARDING RATE SCHEDULES 7, 10 AND 14A**  
**MARKET-BASED COMMODITY RATES FOR THE 2007/08 GAS CONTRACT YEAR**

**REASONS FOR DECISION**

---

**1.0 INTRODUCTION**

Terasen Gas Inc. (“Terasen Gas”, formerly BC Gas Utility Ltd. “BC Gas”) has sold natural gas at market-based commodity rates to its transportation service customers since the early 1990’s. The February 21, 1992 BC Gas Inc. Phase A Rate Design Decision anticipated the sale of surplus or “valley” gas that is available under baseload contracts, to interruptible customers. The October 25, 1993 BC Gas Phase B Rate Design Decision approved Rate Schedule 14 as a separate rate schedule for interruptible backstopping sales. The Phase B Decision also approved several bundled or burner-tip schedules, including Rate Schedule 7 for small volume interruptible sales. Thereafter, BC Gas applied annually for approval of market-based commodity rates under Rate Schedules 7 and 10 and more recently 14. The rate options offered have evolved as the natural gas market in the area developed.

The Commission approved Rate Schedule 14A for the 2002/03 gas year. This rate schedule applies when Terasen Gas performs the nominating and balancing functions that Shipper Agents typically perform for customers or groups of customers.

When Terasen Gas filed its application for Rate Schedules 7, 10, 14 and 14A for the 2004/05 gas contract year, several gas marketers raised concerns that the proposed Rate Schedule 14 and 14A terms may be an impediment to the development of a competitive gas commodity market in British Columbia, that Core Market customers may be subsidizing the rate offering and that Terasen Gas may be inappropriately using customer information. After a written hearing process, the Commission approved the continuation of Rate Schedules 7, 10, 14 and 14A with certain relatively small changes to the tariffs, and directed Terasen Gas to file reports on several matters related to Rate Schedules 14 and 14A.

In 2005, after a written comment process, the Commission approved Terasen Gas’ application to eliminate Rate Schedule 14 and to extend Rate Schedules 7, 10 and 14A for the 2005/06 gas contract year. In 2006, the Commission extended Rate Schedules 7, 10 and 14A for the 2006/07 gas contract year, and requested that Terasen Gas provide reasons why the Rate Schedule 10 Monthly Index option should or should not continue for the following year.

## **2.0 APPLICATION AND REVIEW PROCESS**

On April 8, 2007, Terasen Gas submitted its application for Rate Schedules 7, 10 and 14A for the November 1, 2007 to October 31, 2008 gas contract year (the “Application”). Terasen Gas proposes to maintain the current terms of service for Rate Schedule 14A, to eliminate Rate Schedule 10 and to make Rate Schedule 7 a permanent rate schedule.

The Commission by letter dated April 18, 2007 invited written comments on the Application. The Commission received written comments from Direct Energy Marketing Limited (“Direct”). On May 16, 2007 Terasen Gas replied to the written comments.

## **3.0 RATE SCHEDULE 14A – TERM AND SPOT GAS SALES**

Rate Schedule 14A provides for the sale of gas to on-system customers and marketers on a firm basis that is delivered to the customer at the interconnection with the Spectra Energy Transmission (“Westcoast”) system. A customer may chose from among Term Fixed Rate, Monthly Index Rate and Daily Index Rate Options. The Daily Index Rate Option can be used to supply spot gas to customers who have experienced gas supply failure for some reason, including customers who have been released from their marketer. Each customer must meet Terasen Gas’ credit requirements.

The Application requests approval for Rate Schedule 14A to continue for 2007/08 in its current form.

The following is a summary of customer participation in Rate Schedules 14A over the last four years:

	<b>Customer Participation</b>			
	<b><u>2003/04</u></b>	<b><u>2004/05</u></b>	<b><u>2005/06</u></b>	<b><u>2006/07 (estimated)</u></b>
Rate Schedule 14A	125	111	83	78

Direct requests the elimination of Rate Schedule 14A, on the basis there is no commercial reason for Terasen Gas to continue to offer the service, which competes directly with marketers in a marketplace that is mature in terms of price transparency and customer knowledge. The remaining small number of customers could readily

avail themselves of service at competitive prices from gas marketers. Direct also requests clarification regarding the Rate Schedule 14A point of sale and pricing methodology, particularly as it relates to Provincial Sales Tax (“PST”) charges.

Terasen Gas replies that the Direct submission repeated similar positions and questions that it had raised previously. Terasen Gas believes that Rate Schedule 14A continues to provide value in the marketplace and should not be eliminated. Terasen Gas provides clarification regarding PST charges and states that the issue of taxation falls under the jurisdiction of the Consumer Taxation Branch rather than the Commission, and therefore should not be a consideration within this proceeding.

### **Commission Determination**

The Commission notes that the number of Rate Schedule 14A customers has declined from 125 in 2003/04 to 78 currently (notwithstanding that Rate Schedule 14 was also terminated over the period). It seems evident that marketers are successfully competing with the Terasen Gas service, but it is also apparent that a significant number of customers find the service suitable for their needs.

**The Commission approves the extension of the current terms of Rate Schedule 14A for the 2007/08 gas contract year, as set out in the Application.**

## **4.0 RATE SCHEDULE 10 – LARGE VOLUME INTERRUPTIBLE SALES**

Rate Schedule 10 provides for the sale of surplus Core Market gas to on-system customers and marketers on an interruptible basis, with delivery to the customer at the interconnection with the Westcoast system. A Rate Schedule 10 customer currently selects between a Daily Index Option and a Monthly Index Option. The Monthly Index rate includes a 3 percent discount in the winter.

The Application requests that Rate Schedule 10 be eliminated effective November 1, 2007. Terasen Gas states that the Rate Schedule 10 Monthly Index Option has been unavailable during the last two winters, as the three percent discounting mechanism makes such sales less economically advantageous than selling surplus core volumes off-system. Terasen Gas has also limited the availability of the Daily Index Option during the winter, so that most Rate Schedule 10 sales occur in the summer. If Rate Schedule 10 is eliminated, gas marketers will still be able to purchase these gas volumes as off-system sales. Terasen Gas sees little value in continuing Rate Schedule 10 service.

Direct supported the application to eliminate the rate schedule.

#### Commission Determination

The Commissions' April 18, 2007 letter requested that Terasen Gas provide a copy of the Application and the letter setting up a written comment process, to each customer who has taken service under Rate Schedules 7, 10 and 14A in the 2006/07 gas contract year. No comments have been received from customers, which the Commission considers to be an indication that customers do not oppose the request to eliminate Rate Schedule 10.

**The Commission approves the elimination of Rate Schedule 10 effective November 1, 2007.**

#### **5.0 RATE SCHEDULE 7 – GENERAL INTERRUPTIBLE SERVICE**

Rate Schedule 7 provides interruptible bundled (burner-tip) service to customers who have the ability to switch to alternate fuels. Although the delivery service is interruptible and can be curtailed in times of capacity constraints on the Terasen Gas system, the supply of the gas commodity is considered to be firm. Currently Rate Schedule 7 service is provided under the Fixed Rate option, where the rate is equivalent to the sum of the Rate Schedule 5 Commodity Cost Recovery Charge, Midstream Cost Recovery Charge and related Gas Cost Riders.

Terasen Gas requests that Rate Schedule 7 be made a permanent rate schedule in its current form, effective November 1, 2007.

Direct requests the elimination of Rate Schedule 7, as it does not see merit in maintaining a rate class for only three customers with an annual volume less than 35,000 gigajoules.

Terasen Gas replies that the current customers express satisfaction with the rate schedule, and that there should be a bundled choice for customers who elect to receive interruptible service from the utility.

**Commission Determination**

The Commission is not persuaded that Rate Schedule 7 should be eliminated, particularly since this is an interruptible service and interruptible services encourage more efficient use of the Terasen Gas delivery system. The Commission agrees that annual reviews of this rate schedule are no longer needed.

**The Commission approves Rate Schedule 7 as a permanent rate schedule effective November 1, 2007, as set out in the Application.**