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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-19-08**

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

and

**An Application by Terasen Gas Inc.
(Fort Nelson Service Area)
for Approval to Amend its Schedule of Rates**

BEFORE: A.A. Rhodes, Commissioner
L.F. Kelsey, Commissioner February 8, 2008

O R D E R

WHEREAS:

- A. Commission Order No. G-17-04 approved for Terasen Gas Inc. Fort Nelson Service Area ("Terasen Fort Nelson" or the "Company") its 2004 Revenue Requirement Application, which included the implementation of a Rate Stabilization Adjustment Mechanism ("RSAM") effective January 1, 2004; and
- B. The approved RSAM utilizes a deferral account to record the difference on a use per customer basis between forecast delivery margin used for rate making purposes and actual margin received from residential and commercial customers. For industrial (Rate 25) customers, the RSAM account records margin variations arising from the difference between forecast and actual deliveries. The amounts recorded in the RSAM account are to be amortized over the subsequent three-year period and recovered from or refunded to customers by way of a positive or negative rider on rates; and
- C. On November 30, 2007, Terasen Fort Nelson filed a summary application for approval of its 2008 Revenue Requirements (the "Application") on a permanent and interim basis, pursuant to Section 89 of the Utilities Commission Act (the "Act"), effective January 1, 2008. The Company committed to file a more detailed Application by Friday, December 21, 2007; and
- D. The Application sought approval, on a permanent basis, effective January 1, 2008, to increase the RSAM rate rider from \$0.073/GJ by \$0.042/GJ for a total rate rider of \$0.115/GJ. The Application also sought a revenue requirement increase of \$371,000 for the 2008 test year, effective January 1, 2008, resulting in an average 5.9 percent rate increase for all sales rate classes or a 32.9 percent increase on a delivery margin basis for all customers; and
- E. On December 11, 2007, Terasen Fort Nelson calculated that reducing the 2008 forecast combined federal/provincial income tax rate from 32.5 percent to 31.5 percent based on an announced federal corporate income tax reduction of 1 percent in 2008 would reduce the 2008 revenue deficiency from \$371,000 to \$369,000 resulting in a 5.8 percent rate increase for all sales rate classes or a 32.7 percentage increase on a delivery margin basis for all customers. The RSAM rider would also be reduced to reflect an increase of \$0.041/GJ for a total rate rider of \$0.114/GJ; and
- F. By letter dated December 12, 2007, Chris Morey, Mayor of the Town of Fort Nelson and Chair of the Northern Rockies Regional District expressed concerns about the proposed Terasen Fort Nelson rate increases and the effects on the community; and

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- G. Terasen Fort Nelson considered that a written hearing process would be appropriate for the review of the Application and proposed a regulatory timetable that included a deadline for Intervenor registration and Intervenor comments regarding the regulatory review process; and
- H. On December 13, 2007, the Commission issued Order No. G-158-07, approving the requested permanent RSAM rider increase from \$0.073/GJ to \$0.114/GJ effective January 1, 2008. The Order also approved an interim refundable average rate increase of 5.8 percent for all sales rate classes or a 32.7 percent increase on delivery margin for all customers effective February 1, 2008. Both the approved RSAM rider increase and the interim rate increase were based on the announced federal/provincial income tax rate of 31.5 percent and Order No. G-158-07 provided for deferral account recovery for the difference in tax rates in the event that the enabling legislation was not passed; and
- I. Order No. G-158-07 also established a Preliminary Regulatory Timetable for the registration of Intervenor and for the preliminary review of the Application, and for Intervenor to make written submissions regarding a formal review process. The Order also required Terasen Fort Nelson to publish a notice in such local news publications during the weeks of December 21, 2007 and January 9, 2008 as would provide adequate notice to the public of the Application, the deadline for intervenor registration and submissions on the type of review process and the regulatory timetable. No intervenors registered or made submissions on the review process or the regulatory timetable; and
- J. On December 21, 2007, Terasen Fort Nelson filed its detailed 2008 revenue requirements application which contained updated information on property taxes, capital additions and income taxes and which reduced the 2008 revenue deficiency to \$348,000; and
- K. In accordance with the Preliminary Regulatory Timetable, the Commission issued Information Request No. 1 on January 16, 2008 to which Terasen Fort Nelson responded on January 30, 2008. On January 30, 2008 Terasen Fort Nelson also submitted a revised application which incorporated the revisions identified in its response to Information Request No. 1 and addressed the announced indefinite closure of two Canfor facilities served under Rate Schedule 25 (the "Revised Application"); and
- L. The Revised Application estimates that the closure of the Canfor facilities will occur in early to mid 2008 and, combined with the revisions identified in the response to Information Request No.1, will increase the 2008 revenue deficiency to \$482,000 ("the Revised Revenue Deficiency"). The Revised Revenue Deficiency would require a delivery margin increase of 49.2 percent or an average rate increase of 8.8 percent to all sales rate classes and an increase to the RSAM rate rider from \$0.114/GJ to \$0.144/GJ effective January 1, 2008. Terasen Fort Nelson submits that the 2008 rates should be increased to reflect this updated information; and
- M. Terasen Fort Nelson proposes to recover the increased revenue deficiency reflected in the Revised Revenue Deficiency from residential and commercial customers by a rate rider or rate change effective from April 1 to December 31, 2008. The proposed rate rider or rate change would recover the 2008

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revenue deficiency remaining after deduction of the interim rate revenues for January 1 to March 31, 2008. For Rate 25 customers, Terasen Fort Nelson proposes to increase their rate effective January 1, 2008 and re-bill them for the January 1 to March 31, 2008 period; and

- N. Terasen Fort Nelson calculated that the changes reflected in the January 30, 2008 Revised Application will result in an average residential delivery margin rate of \$2.132/GJ including rate riders as compared to residential customers in the other three Terasen Gas service areas who have an average delivery margin of \$3.964/GJ; and
- O. By letter dated February 1, 2008, the Commission advised Terasen Fort Nelson that, following the Commission's review of its response to Information Request No. 1, a Procedural Order would be issued to confirm the review process and to establish a timetable for Commission Information Request No. 2 and responses, if required, and the submission of Terasen Fort Nelson comments; and
- P. The Commission made three verbal information requests to Terasen Fort Nelson following its review of the response to Information Request No. 1 and requested written responses; and
- Q. The Commission considers that the establishment of a Regulatory Timetable and a process to review the Revised Application, as revised, is required.

NOW THEREFORE the Commission orders as follows:

- 1. Terasen Fort Nelson's Revised Application will be reviewed in a written hearing process.
- 2. Terasen Fort Nelson's responses to the Commission's three verbal information requests are to be filed as exhibits in this proceeding by February 14, 2008. Following the Commission's receipt of those responses, the evidentiary record in this proceeding will be closed.
- 3. The Preliminary Regulatory Timetable attached as Appendix A to Commission Order No. G-158-07 is amended to remove the provision for registered intervenor information requests and comments as no intervenors have registered in this proceeding, to remove the provision for Commission Information Request No. 2 and to revise the deadline for Terasen Fort Nelson Comments to February 21, 2008. A Revised Regulatory Timetable is attached as Appendix A to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of February 2008.

BY ORDER

Original signed by:

A.A. Rhodes
Commissioner

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APPENDIX A
to Order No. G-19-08
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Terasen Gas Inc.
Fort Nelson Service Area
Application for Approval of 2008 Revenue Requirements

REVISED REGULATORY TIMETABLE

ACTION

DATE (2007 and 2008)

Terasen Fort Nelson to submit detailed Application materials	Friday, December 21, 2007
Commission Information Request No. 1	Wednesday, January 16, 2008
Commission Procedural Order confirming Regulatory Timetable	Wednesday, January 23, 2008
Terasen Fort Nelson Response to Commission Information Request No. 1	Wednesday, January 30, 2008
Terasen Fort Nelson Responses to verbal Commission Information Requests	Thursday, February 14, 2008
Terasen Fort Nelson Comments	Thursday, February 21, 2008