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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-133-07

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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 Ltd.
(PNG-West and Granisle)
for Approval of 2008 Revenue Requirements and Rates**

BEFORE: L.A. O'Hara, Commissioner November 6, 2007

O R D E R

WHEREAS:

- A. On October 9, 2007, Pacific Northern Gas Ltd. ("PNG", "PNG-West" and "Granisle") filed for approval of its 2008 Revenue Requirements Application ("the Application") to amend its rates on a permanent basis, effective January 1, 2008, pursuant to Section 58 of the Utilities Commission Act ("the Act"); and
- B. PNG forecasts a revenue deficiency of approximately \$583,000 for the 2008 test year primarily due to a reduction in forecast margin recovery from customers due to lower projected gas deliveries. This revenue reduction is partly offset by the forecast lower cost of service in 2008. PNG estimates the average delivery charge rate increase for residential customers and small commercial customers is 2.2 percent; and
- D The Application proposes to increase the PNG's equity thickness to 47.5 percent from the present level of 40 percent due to its inability to reduce the actual common equity to the level approved by the Commission without putting its debt rating at risk of a downgrade. PNG has decided not to request an additional rate increase arising from the increase of its equity thickness to 47.5 percent in the current Application. Instead, PNG proposes to record the foregone equity return resulting from setting its rates based on a 40 percent common equity component rather than 47.5 percent in a return on equity ("ROE") deferral account on an after-tax basis. A return equal to PNG's approved rate of return on common equity will be calculated on the monthly balance in the ROE deferral account; and
- D PNG currently plans to use an isolation and trenching technique for the permanent repair of the MP 302 Skeena River crossing in 2008 for a budgeted cost of \$1.65 million. If the isolation and trenching technique is not permitted, PNG expects the cost of alternative repairs to be significantly higher and therefore requests Commission approval to accrue the Allowance for Funds Used During Construction ("AFUDC") on the actual project costs in excess of \$1.65 million budgeted for trenching; and
- E. PNG seeks Commission approval of an additional \$48,000 before tax in 2008, net of the allocation of \$12,000 to Pacific Northern Gas (N.E.) Ltd., to Bill 198 Compliance Costs deferral account with amortization of the 2008 addition to be deferred until 2009; and

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- F. On September 7, 2007 PNG filed its Third Quarter 2007 Report on gas supply costs and Gas Cost Variance Account (“GCVA”) balances, which recommended no changes to Gas Supply Cost Recovery Rates and the GCVA rate riders for PNG-West and Granisle effective October 1, 2007, based on August 31, 2007 natural gas and propane forward prices. The Commission accepted PNG’s recommendations in Letter No. L-70-07; and
- G. PNG considers a Negotiated Settlement Process (“NSP”) would be efficient for the review of its Application and proposes a regulatory schedule that sets out a Settlement meeting in the week of November 19 with an objective to negotiate a settlement of the Application prior to the end of 2007; and
- H. By Order No. G-127-07, dated October 17, 2007, the Commission established a Preliminary Regulatory Timetable that sets out dates for Commission and Intervenor Information Requests (“IR”) and allows for Intervenor’s written submission on the review process; and
- I. The British Columbia Old Age Pensioners’ Organization et al. (“BCOAPO”) submitted that it has no objection to the NSP for the review of the Application and that a second round of IRs may be necessary depending on PNG’s responsiveness to the IR No. 1; and
- J. The Commission has reviewed the BCOAPO’s submission, notes that no other registered intervenors submitted comments regarding the review process or timetable, and considers that an NSP for the review of the Application is appropriate.

NOW THEREFORE the Commission orders as follows

- 1. The Preliminary Regulatory Timetable established by Commission Order No. G-127-07 is confirmed as permanent.
- 2. The Application will be reviewed through a Negotiated Settlement Process, which will commence on November 27, 2007 at 1:30 p.m. in the Commission Hearing Room on the Twelfth Floor, 1125 Howe Street, Vancouver, B.C., subject to venue availability.

DATED at the City of Vancouver, in the Province of British Columbia, this 6th day of November 2007.

BY ORDER

Original signed by

L.A. O’Hara
Commissioner