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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-158-07

TELEPHONE: (604) 660-4700
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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: L.F. Kelsey, Commissioner December 13, 2007
P.E. Vivian, Commissioner

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 deferral account records 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 would be amortized over the subsequent three-years for recovery 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 seeks 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; and
- E. The Application also seeks a revenue requirement increase of \$371,000 for the 2008 test year, effective January 1, 2008, resulting in an average of a 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
- F. The Company's requested revenue requirement and RSAM rate increases are based on a forecast combined federal/provincial income tax rate in 2008 of 32.5 percent. By Order No. G-153-07, the Commission required that Terasen Gas Inc. set its 2008 rates based on an announced federal corporate

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income tax rate reduction of 1 percent in 2008. Commission Order No. G-153-07 also required that in the event that the enabling legislation is not passed and the tax rate change is not effective on January 1, 2008, the difference in tax rates is to be recorded in a deferral account and fully amortized in the following year; and

- G. 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 reduces 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 is also revised to an increase of \$0.041/GJ for a total rate rider of \$0.114/GJ; and
- H. By letter dated December 12, 2007, Mayor Chris Morey of the Town of Fort Nelson and the Chair of the Northern Rockies Regional District expressed concerns about the proposed Terasen Fort Nelson rate increases and the effects on the community; and
- I. Terasen Fort Nelson considers that a written hearing process is appropriate for the review of the Application and proposes a regulatory timetable that includes a deadline for Intervenor registration and Intervenor comments regarding the regulatory review process; and
- J. The Commission considers that establishing a Regulatory Timetable for the registration of Intervenor and for the preliminary review of the Application, and to allow Intervenor to make written submissions on a formal review process, is necessary and in the public interest. The Commission will consider the comments received and will provide further direction concerning the appropriate process and regulatory timetable to review Terasen Fort Nelson's Application.

NOW THEREFORE the Commission orders as follows:

- 1. The requested RSAM rider increase from \$0.073/GJ to \$0.114/GJ is approved on a permanent basis for Rate 1 Residential, Rate 2.1 Small Commercial, Rate 2.2 Large Commercial, Industrial Service Rates 3.1, 3.2 and 3.3 and Rate 25 General Firm Transportation effective January 1, 2008 based on a combined federal/provincial income tax rate in 2008 of 31.5 percent.
- 2. The Commission, pursuant to Section 89 of the Act, approves an interim refundable average rate increase of 5.8 percent for all sales customers or a 32.7 percent increase on delivery margin basis for all customers effective February 1, 2008 based on a combined federal/provincial income tax rate in 2008 of 31.5 percent. In the event that the enabling legislation is not passed and the tax rate change is not effective on January 1, 2008, the difference in tax rates is to be recorded in a deferral account and fully amortized in the following year.
- 3. The differences between the 2008 interim and permanent delivery rates that are determined by the Commission following consideration of this Application are subject to refund with interest at the average prime rate of Terasen Fort Nelson's principal bank as set out in a Commission Order that establishes permanent rates for Terasen Fort Nelson.

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4. The Commission will accept, subject to timely filing by Terasen Fort Nelson, amended Gas Tariff Rate Schedules in accordance with the terms of this Order. Terasen Fort Nelson is to provide all affected customers with a Customer Notice notification of the interim and permanent rates, to be reviewed by the Commission in advance of its release.
5. The Application and supporting material will be made available for inspection at the TGI Office, 16705 Fraser Highway, Surrey, B.C., V4N 0E8, at the Town of Fort Nelson municipal offices at 5319 - 50th Avenue South, Fort Nelson, B.C., V0C 1R0, and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.
6. Intervenor and Interested Party registration, an initial round of Information Requests from the Commission and Intervenors, and responses to Information requests by Terasen Fort Nelson will occur according to the Preliminary Regulatory Timetable attached as Appendix A to this Order.
7. Intervenors and Interested Parties should register with the Commission, via the BCUC website or in writing, by Wednesday, January 16, 2008, of their intention to intervene. Intervenors are requested to make submissions with reasoning concerning the type of process (e.g. oral public hearing, written hearing or negotiated settlement process) and regulatory timetable they view as being appropriate for the review of the Application.
8. Terasen Fort Nelson will publish during the week of December 21, 2007 and January 9, 2008 in display-ad format, the Notice of Revenue Requirements Application, attached as Appendix B, in such appropriate local news publications as may properly provide adequate notice to the public in its service areas.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of December 2007.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner

Attachments

**Terasen Gas Inc.
Fort Nelson Service Area
Application for Approval of 2008 Revenue Requirements**

PRELIMINARY REGULATORY TIMETABLE

Action

Dates (2007 and 2008)

Terasen Fort Nelson to submit detailed Application materials	Friday, December 21, 2007
Commission Information Request No. 1	Wednesday, January 16, 2008
Intervenor Registration and Intervenor Comments regarding Regulatory Review Process	Wednesday, January 16, 2008
Commission Procedural Order confirms Regulatory Timetable	Wednesday, January 23, 2008
Intervenor Information Request No. 1	Wednesday, January 23, 2008
Terasen Fort Nelson Response to Commission and Intervenor IR No. 1	Wednesday, January 30, 2008
Commission and Intervenor IR No. 2, if necessary	Wednesday, February 13, 2008
Terasen Fort Nelson Response to Commission and Intervenor IR No. 2	Wednesday, February 27, 2008

Assuming a Written Hearing

Intervenor Comments	Wednesday, March 5, 2008
Terasen Fort Nelson Reply Comments	Wednesday, March 12, 2008



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Terasen Gas Inc.
Fort Nelson Service Area
Application for Approval of 2008 Revenue Requirements

NOTICE OF APPLICATION

THE APPLICATION

On November 30, 2007, Terasen Gas Inc. – Fort Nelson Service Area (“Terasen Fort Nelson” or the “Company”) filed 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 Application seeks approval, on a permanent basis, effective January 1, 2008, to increase the Revenue Stabilization Adjustment Mechanism (“RSAM”) rate rider from \$0.073/GJ by \$0.042/GJ for a total rate rider of \$0.115/GJ. The Application also seeks a revenue requirement increase of \$371,000 for the 2008 test year, effective January 1, 2008, resulting in an average of a 5.9 percent rate increase for all sales rate classes or a 32.9 percent increase on a delivery margin basis for all customers.

THE REGULATORY PROCESS

To reflect an announced 1 percent reduction in the federal corporate income tax rate that was not included in the Application the Commission by Order No. G-158-07, approved a permanent increase in the RSAM rate rider of \$0.041/GJ for a total rate rider of \$0.114/GJ effective January 1, 2008. Order No. G-158-07 also approved an interim refundable rate increase of 5.8 percent for all sales customers or a 32.7 percent increase on a delivery margin basis for all customers effective February 1, 2008. The differences between the 2008 interim and permanent delivery rates that are determined by the Commission following consideration of this Application are subject to refund with interest at the average prime rate of Terasen Fort Nelson’s principal bank as set out in the Commission Order that establishes permanent rates for Terasen Fort Nelson.

The Commission has established a written process for submissions regarding the regulatory process for the review of the Application.

PUBLIC INSPECTION OF THE APPLICATION

The Application and supporting material, including Commission correspondence, will be made available for inspection at the Terasen Gas Inc. Office, 16705 Fraser Highway, Surrey, B.C., V4N 0E8, at the Town of Fort Nelson municipal offices at 5319 - 50th Avenue South, Fort Nelson, B.C., V0C 1R0 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.

The Application will also be available for viewing on the Terasen Gas website at www.terasengas.com and on the Commission’s website at www.bcuc.com.

REGISTERING TO PARTICIPATE

Persons who expect to actively participate in this proceeding should register as Intervenor with the Commission, in writing or electronic submission, by Wednesday, January 16, 2008, identifying their interest in the Application and identify the issues that they intend to pursue and the nature and extent of their anticipated involvement in the review process. Intervenor comments on the further regulatory review process of the Application and Preliminary Regulatory Timetable are also due in writing to the Commission by Wednesday, January 16, 2008.

Persons not expecting to actively participate, but who have an interest in the proceeding should register as Interested Parties with the Commission, in writing or electronic submission, by Wednesday, January 16, 2008, identifying their interest in the Application.

FURTHER INFORMATION

For further information, please contact Ms. Erica M. Hamilton, Commission Secretary, or Mr. Philip Nakoneshny, Director, Rates and Finance, as follows:

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