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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-189-08

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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.
Regarding Propane Commodity Charges effective January 1, 2009
for the Revelstoke Service Area**

BEFORE: L.F. Kelsey, Commissioner
P.E. Vivian, Commissioner December 11, 2008
D.A. Cote, Commissioner

WHEREAS:

- A. By Order G-92-08 the British Columbia Utilities Commission (the "Commission") increased the propane commodity rates for the Terasen Gas Inc. ("Terasen Gas") Revelstoke Service Area ("Revelstoke") effective July 1, 2008; and
- B. On December 4, 2008 Terasen Gas filed its 2008 Fourth Quarter Gas Cost Report for Revelstoke; and
- C. Terasen Gas provided three sets of forward prices for the forecast cost of propane. One forecast was based 50 percent on the NYMEX West Texas Intermediate ("WTI") light sweet crude oil futures and 50 percent on the NYMEX Mt. Belvieu propane futures; the second was based 100 percent on the NYMEX WTI light sweet crude oil futures; and the third was based 100 percent on the NYMEX Mt. Belvieu propane futures; and
- D. Using a propane price forecast based on an average of 50 percent of the November 24, 2008 NYMEX WTI light sweet crude oil futures and 50 percent of the November 24, 2008 NYMEX Mt. Belvieu propane futures, and based on the existing rates, the projected pre-tax deferral surplus balance at December 31, 2008 of \$469,546 is forecast to change to a pre-tax surplus balance of \$1,765,828 at December 31, 2009. The rate change trigger mechanism is calculated to be 183.6 percent, which does not fall within the deadband range of 95 percent to 105 percent set out in Letter No. L-5-01; and
- E. Using a propane price forecast based on November 24, 2008 NYMEX WTI light sweet crude oil futures, and based on the existing rates, the projected pre-tax deferral surplus balance at December 31, 2008 of \$467,977 is forecast to change to a pre-tax surplus balance of \$1,549,986 at December 31, 2009. The rate change trigger mechanism is calculated to be 166.6 percent, which does not fall within the deadband range of 95 percent to 105 percent; and

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- F. Using a propane price forecast based on November 24, 2008 NYMEX Mt. Belvieu propane futures, and based on the existing rates, the projected pre-tax deferral surplus balance at December 31, 2008 of \$471,144 is forecast to change to a pre-tax surplus balance of \$1,981,531 at December 31, 2009. The rate change trigger mechanism is calculated to be 204.5 percent, which does not fall within the deadband range of 95 percent to 105 percent; and
- G. In the 2008 Fourth Quarter Gas Cost Report for Revelstoke, Terasen Gas requests approval of a propane rate that is based on crude oil future prices, as propane prices continue to be very volatile and this more conservative approach will reduce the likelihood that a propane rate increase will be required on April 1, 2009; and
- H. The requested approval would decrease the propane reference price by \$0.2067 per litre, from \$0.5172 per litre to \$0.3105 per litre, effective January 1, 2009. This corresponds to a rate decrease of \$7.732 per gigajoule; and
- I. The rate change will result in a decrease of approximately \$387 or 28.9 percent in the annual bill of a typical residential customer, based on consumption of 50 gigajoules annually; and
- J. The Commission concludes that the requested changes to the propane reference price and propane rates for Revelstoke are necessary at this time.

NOW THEREFORE pursuant to section 61(4) of the *Utilities Commission Act*, the Commission approves a propane reference price decrease from \$0.5172 per litre to \$0.3105 per litre, which corresponds to a decrease of \$7.732 per gigajoule in customer rates, effective January 1, 2009. Terasen Gas will inform all customers affected by the rate change.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of December 2008.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner