

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-191-08



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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.
for Approval of 2009 Revenue Requirements and Delivery Rates**

BEFORE:

L.F. Kelsey, Commissioner
P.E. Vivian, Commissioner
D.A. Cote, Commissioner

December 11, 2008

O R D E R

WHEREAS:

- A. British Columbia Utilities Commission ("the Commission") Order G-51-03 approved for TGI the Settlement Agreement for 2004–2007 Multi-Year Performance-Based Rate Plan ("the Settlement" or "PBR"). Subsequently, Commission Order G-33-07 approved the two-year extension of the Settlement for 2008 and 2009; and
- B. On August 19, 2008, Terasen Gas Inc. ("TGI" or "Company"), proposed a regulatory timetable for its 2008 Annual Review Materials by October 8, 2008, an Annual Review on November 7, 2008 and an anticipated Decision of the Commission by December 12, 2008; and
- C. The Commission, by Order G-142-08 dated September 25, 2008, set out the Regulatory Timetable for the TGI filing of its 2008 Annual Review Material, information requests, responses, the 2008 Annual Review, undertaking responses from TGI, Participant comments, and TGI Reply comments; and
- D. On October 8, 2008, TGI filed the Annual Review Advance Materials ("Advance Materials") for the purposes of setting rates for 2009 in accordance with the regulatory timetable established by Commission Order G-142-08 ("the Application"); and
- E. The Application also requested deferral account treatment for incremental costs associated with the implementation of International Financial Reporting Standards ("IFRS") to be amortized beginning in 2011, a deferral account treatment of incremental costs for Olympic and Paralympic Games Security to be amortized beginning 2011, a change to the amortization of the Large Corporations Tax deferral account, and changes to the non rate base Residential and Commercial Commodity Unbundling deferral accounts; and

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- F. On November 3, 2008, TGI filed a revision to the October 8, 2008 Advance Materials filing including updated financial schedules to reflect changing economic circumstances related to industrial forecast and customer addition assumptions ("Amended Application"). Also, on November 3, 2008, TGI filed its responses to information requests; and
- G. The 2008 Annual Review was held on November 7, 2008. The TGI 2008 Annual Review was held jointly with the Terasen Gas (Vancouver Island) Inc. ("TGV") 2008 Settlement Update Meeting. Subsequently TGI provided a response to undertakings ("Undertakings Submission") on November 19, 2008 responding to issues raised in the Annual Review; and
- H. On November 26, 2008, the British Columbia Old Age Pensioners' Organization *et al.* ("BCOAPO") submitted its Comments where the main concern was not with the current filing but with the Settlement Agreement should not be extended beyond December 31, 2009. BCOAPO commented that the approved amounts for gross Operating, Maintenance and General Administrative expenses ("O&M") in the Settlement Agreement from 2004 to 2007 have exceeded actual results; and
- I. On December 3, 2008, TGI provided its Reply Comments. With its Reply Comments, TGI revised its Amended Application to update the 2008 return on equity ("ROE") for TGI to 8.47 percent in response to the Commission setting the benchmark ROE at 8.62 percent, pursuant to Commission Letter L-55-08, and apply for approval of its Amended Application; and
- J. Pursuant to Commission Order C-6-06 dated August 14, 2006, the Customer Choice Post Implementation Review Report ("Report") filed on July 18, 2008 is being reviewed by the Commission and a Decision has not been issued. In this Report, TGI requested approval for operating expenditures of \$3.25 million annually for the years 2009 to 2011 inclusive, for the continuation of the Customer Education campaign and capital expenditures totaling \$1.226 million, for the phased implementation of specific enhancements to the Gateway for Gas Marketers ("GEM") program application. Commission Order G-140-08 approved the funding requirements for Release 1 and Release 2; and
- K. The Commission has reviewed the Amended Application and the comments received.

NOW THEREFORE the Commission orders for TGI, pursuant to sections 58, 60, 61 and 124 of the *Utilities Commission Act*, as follows:

- 1. The Commission approves the increased applicable charges for customers served under Rate Schedules 1, IS, 2, 2U, 3, 3U, 4, 5, 6, 7, 22, 22A, 22B, 23, 25, and 27 effective January 1, 2009, as provided in the Amended Application.

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2. The Commission approves the Earnings Sharing Mechanism rider for customers served under Rate Schedules 1, IS, 2, 2U, 3, 3U, 4, 5, 6, 7, 22, 22A, 22B, 23, 25, and 27 effective January 1, 2009, ranging from (\$0.132)/GJ for customers served under Rate Schedule 1 to (\$0.007)/GJ for those served under Rate Schedule 22B.
3. The Commission approves the \$0.093/GJ decrease in the Rate Stabilization Adjustment Mechanism rider from the currently approved level of \$0.094/GJ to \$0.001/GJ effective January 1, 2009.
4. The Commission approves the establishment of a rate base deferral account to recover the critical security costs associated with the 2010 Olympic and Paralympic Winter Games.
5. The Commission approves the establishment of a rate base deferral account to recover the incremental costs associated with IFRS implementation.
6. The Commission approves the change to the amortization of the Large Corporations Tax deferral account.
7. The Commission approves the changes to the non-rate base Residential and Commercial Commodity Unbundling deferral accounts.
8. TGI is required to revise its 2009 forecast to account for any direction from the review of the Customer Choice operating and capital expenditure budgets. If there is delay in the issuance of the Customer Choice Decision then TGI should record the difference between the 2009 budget and the 2009 allowed operating expenditures and capital expenditures in rate base deferral accounts for disposition in next year's revenue requirements.
9. The Commission will accept, subject to timely filing, amended Gas Tariff rate schedules and full supporting regulatory financial schedules in accordance with the terms of this Order.
10. TGI is to inform all affected customers of the final rates by way of a bill insert or customer notice, to be submitted to the Commission in draft prior to its release.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of December 2008.

BY ORDER

Original signed by:

D.A. Cote
Commissioner