

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-120-09**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.b cuc.com>



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

and

An Application by Terasen Gas (Vancouver Island) Inc.
for Approval of 2010 and 2011 Revenue Requirements, Rates, Cost of Service, Rate Design and
Revenue Deficiency Deferral Account Balance as at December 31, 2008

BEFORE:

A.W.K. Anderson, Panel Chair/Commissioner
D.A. Cote, Commissioner
M.R. Harle, Commissioner

October 2, 2009

O R D E R

WHEREAS:

- A. On June 29, 2009, Terasen Gas (Vancouver Island) Inc. ("TGVI") filed an application for approval of interim and permanent delivery rates effective January 1, 2010 (the "Application") pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (the "Act") and the Special Direction to the British Columbia Utilities Commission ("Commission") issued pursuant to Order in Council 1510 ("Special Direction"), requesting (a) no change in 2009 sales service rates and (b) a reduction in rates for firm transportation service, other than for those customers who have specified rates in their transportation service agreements, in the amount of 4.75 percent; and
- B. TGVI proposes that the rates established for 2010 should also remain in place for 2011; and
- C. TGVI also applied pursuant to sections 59 to 61 of the Act and section 2.10(a)(i) of the Special Direction for interim and permanent approval of TGVI's forecast cost of service for 2010 and 2011, subject to the need to recover any Accumulated Revenue Deficiency in the Revenue Deficiency Deferral Account after December 31, 2009 and any changes in TGVI's return on equity; and
- D. TGVI also applied pursuant to section 2.10(f) of the Special Direction for approval of the December 31, 2008 year end balance in the Revenue Deficiency Deferral Account in the amount of \$7,149,210, and for approval other items identified in the Special Direction; and
- E. TGVI sought other approvals in the Application, including orders pursuant to sections 59 to 61 of the Act, approving Tariff changes effective January 1, 2010 for Compression and Refueling and Transportation Services for Natural Gas Vehicles, and economic models for evaluating biogas projects and alternative energy extensions for geo-exchange, solar thermal and district energy systems to complement its core natural gas business; and
- F. TGVI proposed a written hearing process to address the Application but indicates it is open to a Negotiated Settlement Process ("NSP"); and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-120-09**

2

- G. On July 2, 2009, the Commission issued Order G-84-09, which provided for a Workshop on July 13, 2009 and a first Procedural Conference on July 15, 2009 to hear submissions on the appropriate regulatory process and TGVl's proposed preliminary regulatory timetable attached to that order; and
- H. TGVl held a Workshop to review the Application on Monday, July 13, 2009 at the Terasen Gas Building, 1111 West Georgia Street, Georgia Meeting Room on the Main Floor Vancouver, BC; and
- I. A Procedural Conference was held on Wednesday, July 15, 2009 at the Commission Hearing Room on the 12th Floor, 1125 Howe Street, Vancouver, BC at which the Commission heard submissions regarding the Application process and inclusion of Alternative Energy Solution proposals within the process; and
- J. The Commission considered the Submissions received at the first Procedural Conference and concluded that a Regulatory Timetable establishing a second Procedural Conference following TGVl's responses to the second round of Information Requests was required. At the first Procedural Conference, it was also determined that proposed Alternative Energy Solutions included in TGVl's Application would be reviewed as part of the Revenue Requirements proceedings, that information requests consistent with Terasen Gas Inc. would be cross referenced to those requests, and that interim rates and the Revenue Surplus Deferral Account were not approved at that time and would be reviewed at the second procedural conference; and
- K. A second procedural Conference was held on Friday, September 25, 2009 at the Commission Hearing Room on the 12th Floor, 1125 Howe Street, Vancouver, BC at which the Commission heard further submissions regarding the process of the Application, location of the proceedings and other matters that would assist the Commission's efficient review of the Application. Primary issues raised were whether a separate Certificate of Public Convenience and Necessity ("CPCN") review was required for the Alternative Energy Solutions proposed in the Application and whether the regulatory process should be in the form of an oral or written hearing or NSP; and
- L. Intervenor expressed a wish to avoid a separate CPCN process for the Alternative Energy Solutions and all Intervenor supported an NSP for the review of the Application. In the event that the NSP is not successful in resolving all issues, the Intervenor submitted that an Oral Public Hearing should be subsequently ordered by the Commission and TGVl requested that if an Oral Public Hearing is established, that it be limited in scope; and
- M. TGVl proposed that it delay applying for interim rate approval until the end of November. If a Commission decision has been issued on the TGVl, Terasen Gas Inc. and Terasen Gas (Whistler) Inc. allowed rate of return on equity and capital structure application and this Application (the "Applications") by the end of November, then it will apply for approval of permanent rates effective January 1, 2010. If a Commission decision has not been issued on both those Applications by the end of November, then TGVl will apply for interim rates effective January 1, 2010, based on this Application; and
- N. The Commission has determined that a regulatory process is required to deal with the Application.

NOW THEREFORE the Commission orders as follows:

1. The Commission establishes a NSP for the review of the Application. The Negotiated Settlement process will commence at 9:00 am, Tuesday, November 3, 2009 in the Commission Hearing Room, 12th Floor, 1125 Howe Street, Vancouver, B.C.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-120-09

3

2. The NSP is to be conducted in accordance with the Commission's *Negotiated Settlement Process Policy, Procedures and Guidelines, January 2001* document.
3. The Commission does not approve, at this time, interim sales service rates and rates for transportation service other than for those customers who have specified rates in their transportation service agreements pursuant to section 89 of the Act as proposed in the Application for 2010. The Commission will consider any submissions on proposed interim rates at a later date.
4. The Commission does not approve, at this time, the creation of a Revenue Surplus Deferral Account for the purposes of capturing any 2010 and 2011 revenue surplus in excess of the cost of service. The Commission will consider any submissions on the proposed interim Revenue Surplus Deferral Account at a later date. The need for, and the disposition of, any balance in the Revenue Surplus Deferral Account on a permanent basis is to be addressed in this proceeding.
5. Intervenors should advise the Commission, in writing or by email, no later than Tuesday, October 13, 2009 of their intention to participate in the NSP.
6. The Regulatory Timetable as established by Commission Order G-90-09 is suspended at this time. A revised Regulatory Timetable may be set following the outcome of the NSP discussions, if required.

DATED at the City of Vancouver, In the Province of British Columbia, this 2nd day of October 2009.

BY ORDER

Original signed by:

A.W.K. Anderson
Panel Chair/Commissioner