

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-104-10

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

and

An Application by Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
for Approval of its 2010 Revenue Requirements
for the PNG (N.E.) Service Area

BEFORE: D.A. Cote, Panel Chair/Commissioner June 23, 2010
R. K. Ravelli, Commissioner

O R D E R

WHEREAS:

- A. On October 5, 2009 Pacific Northern Gas (N.E.) Ltd. [PNG (N.E.)] Fort St. John/Dawson Creek and Tumbler Ridge Divisions applied to the British Columbia Utilities Commission (Commission) for approval of its 2010 Revenue Requirements Application (the Application) to amend its rates on an interim basis, effective January 1, 2010, pursuant to sections 89 and 58 of the *Utilities Commission Act* (the Act); and
- B. On July 16, 2009 PNG (N.E.) and its parent Pacific Northern Gas Ltd. filed with the Commission a Capital Structure and Equity Risk Premium Application (the CAP/ROE Application); and
- C. The Application includes the impact of changes to PNG (N.E.)'s capital structure and rate of return as set forth in the CAP/ROE Application and recommends that rates set by this Application remain interim pending the Commission's disposition of the CAP/ROE Application; and
- D. For the PNG (N.E.) Fort St. John/Dawson Creek (FSJ/DC) Division, the Application forecasts a revenue deficiency of \$896,000 comprised of a net increase in cost of service of \$882,000 and a decreased margin of approximately \$14,000; and
- E. Based on a common equity thickness and rate of return on common equity as applied for in the CAP/ROE Application, PNG (N.E.)'s FSJ Division sought Commission approval to increase the delivery charge for residential service by \$0.281/GJ from \$2.471/GJ to \$2.752/GJ representing an increase of 11.4 percent compared to the 2009 delivery rates, and for small commercial service by \$0.191/GJ from \$2.180/GJ to \$2.371/GJ corresponding to an increase of 8.8 percent compared to 2009 delivery rates. PNG (N.E.)'s DC Division sought Commission approval to increase the delivery charge for residential service by \$0.281/GJ

from \$2.273/GJ to \$2.554/GJ representing an increase of 12.4 percent compared to 2009 delivery rates, and for small commercial service by \$0.191/GJ from \$1.643/GJ to \$1.834/GJ corresponding to an increase of 11.6 percent compared to 2009 delivery rates; and

- F. By Order G-131-09, the Commission approved for PNG (N.E.)'s FSJ/DC Division interim delivery rates, effective January 1, 2010 based on Commission approved common equity thickness of 36 percent and a rate of return on common equity set at the existing 40 basis points above the Commission's low risk benchmark utility ROE; and
- G. Based on the common equity thickness and rate of return parameters as set forth in Order G-131-09, the forecasted 2010 revenue deficiency for FSJ/DC is approximately \$627,000 comprised of a net increase in cost of service of \$612,000 and a decrease in margin of \$15,000. Interim rates were set as follows:
- The delivery charge for FSJ residential service increased by \$0.196/GJ from \$2.471/GJ to \$2.667/GJ, and for FSJ small commercial service by \$0.134/GJ from \$2.180/GJ to \$2.314/GJ;
 - The delivery charge for DC residential service increased by \$0.196/GJ from \$2.273/GJ to \$2.469/GJ, and for DC small commercial service by \$0.134/GJ from \$1.643/GJ to \$1.777/GJ; and
- H. For PNG (N.E.)'s Tumbler Ridge (TR) Division, the Application forecasts a revenue deficiency of \$90,000 comprised of a net increase in cost of service of \$106,000 offset somewhat by increased margin of \$16,000; and
- I. Based on a common equity thickness and rate of return on common equity as applied for in the CAP/ROE Application PNG (N.E.)'s TR Division sought Commission approval to increase the delivery charge for residential service by \$0.454/GJ from \$4.473/GJ to \$4.927/GJ representing an increase of 10.1 percent compared to 2009 delivery rates, and for small commercial service by \$0.333/GJ from \$4.012/GJ to \$4.345/GJ corresponding to an increase of 8.3 percent compared to 2009 delivery rates; and
- J. By Order G-131-09, the Commission approved for PNG (N.E.)'s TR Division interim delivery rates effective January 1, 2010 based on Commission approved common equity thickness of 36 percent and a rate of return on common equity set at 65 basis points above the Commission's low risk benchmark utility ROE; and

- K. Based on the common equity thickness and rate of return parameters as set forth in Order G-131-09, the forecasted 2010 revenue deficiency for TR is approximately \$76,000 comprised of a net increase in cost of service of \$92,000, offset somewhat by an increase in margin of \$16,000. Interim rates were set as follows:
- Increase the delivery charge for TR residential service by \$0.381/GJ from \$4.473/GJ to \$4.854/GJ, and for small commercial service by \$0.279/GJ from \$4.012/GJ to \$4.291/GJ; and
- L. For PNG (N.E.)'s FSJ/DC and TR Divisions, Order G-131-09 also set the preliminary regulatory timetable for the Application and allowed for: Intervener registration, the preliminary review of the Application, and Interveners to make written submissions on a formal review process; and
- M. On December 8, 2009, by Letter L-109-09 the Commission confirmed the Application to be reviewed through a Negotiated Settlement Process (NSP) with negotiations to commence on January 18, 2010; and
- N. The Commission revised the Regulatory Timetable in Letter L-111-09 to have negotiations commence on February 8, 2010 in order to accommodate the availability requirements of the participants; and
- O. The NSP discussions were held in Vancouver on February 9 and 10, 2010. The NSP participants agreed that permanent rates were to be calculated following the Commission's disposition of the CAP/ROE Application and after the completion of the final negotiations of the Application. An Interim Negotiated Settlement Agreement in respect of the Application was reached among the participants and circulated to all Registered Interveners and the Commission on February 22, 2010; and
- P. On March 4, 2010, the Commission approved the Interim Negotiated Settlement Agreement in respect of the Application under Order G-34-10; and
- Q. On May 20, 2010, the Commission approved the Negotiated Settlement Agreement in respect of the CAP/ROE Application under Order G-84-10; and
- R. On May 26, 2010, PNG(N.E.) distributed to the Commission and Registered Interveners the regulatory schedules that reflected the terms set forth in both the Interim Negotiated Settlement Agreement in respect of the Application and the CAP/ROE Application Negotiated Settlement Agreement; and
- S. On June 3, 2010, the NSP participants agreed to accept PNG (N.E.)'s regulatory schedules as filed and a final settlement was reached. The Final Negotiated Settlement Agreement was circulated to all Registered Interveners and the Commission on June 11, 2010; and
- T. The Commission has reviewed the Final Negotiated Settlement Agreement for PNG (N.E.)'s 2010 Revenue Requirements and considers that approval is warranted.

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NOW THEREFORE pursuant to sections 89 and 58 of the Act, the Commission orders as follows:

1. The Final Negotiated Settlement Agreement for PNG (N.E.)'s 2010 Revenue Requirements Application, as issued on June 11, 2010 and attached as Appendix A to this Order, is approved.
2. Interim delivery rates as approved under Order G-131-09 are set as permanent effective January 1, 2010.
3. The Commission will accept, subject to timely filing by PNG (N.E.), Gas Tariff Rate Schedules amended to reflect the permanent rates approved in accordance with the terms of this Order. PNG (N.E.) is to advise its customers via a bill message that the interim rates have been made permanent.

DATED at the City of Vancouver, in the Province of British Columbia, this 23rd day of June 2010.

BY ORDER

Original signed by:

D.A. Cote
Panel Chair/Commissioner

Attachment

WILLIAM J. GRANT
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VIA EMAIL

June 11, 2010

To: Registered Interveners

Re: Pacific Northern Gas (N.E.) Ltd.
Fort St. John/Dawson Creek and Tumbler Ridge Divisions
Final Negotiated Settlement Agreement
2010 Revenue Requirements Application

Enclosed with this letter is the proposed settlement package for Pacific Northern Gas (N.E.) Ltd's 2010 Revenue Requirements Application.

This settlement package is now public and is being submitted to the Commission and all Interveners. Also enclosed are Letters of Support and Comment received to date from the participants in the negotiated settlement process.

The Commission will consider the settlement package and set permanent delivery rates. A public hearing may not be required unless there is significant opposition to the proposed settlement.

Yours truly,

A handwritten signature in dark ink, appearing to read "William J. Grant".
William J. Grant

CM/ac
Enclosure

cc: Mr. Craig Donohue
Director, Regulatory Affairs and Gas Supply
Pacific Northern Gas (N.E.) Ltd.
(Via email: cdonohue@png.ca)

~~CONFIDENTIAL~~

Pacific Northern Gas (N.E.) Ltd.
[Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions]

2010 Revenue Requirements Application

FINAL NEGOTIATED SETTLEMENT AGREEMENT

Dated June 11, 2010

On March 4, 2010 the Commission approved the interim PNG(N.E.) NSP 2010 revenue requirements application negotiated settlement agreement under Order G-34-10 (RRA Interim NSA) which settled all the cost of service matters under the 2010 Revenue Requirements Application Negotiated Settlement Process (2010 RRA NSP) that could be addressed in the absence of a final decision on the issues set forth in the PNG/PNG(N.E.) Capital Structure and Equity Risk Premium Application (CAP/ROE Application). The parties to the 2010 RRA NSP agreed that a Final RRA Negotiated Settlement Agreement (RRA Final NSA) was to be negotiated after a settlement was agreed to in respect of the CAP/ROE Application.

On March 5, 2010, PNG filed with the Commission revised 2010 regulatory schedules to reflect the impact of increasing the low risk benchmark utility ROE to 9.5 percent and the implementation of the terms of the RRA Interim NSA including the impact of 2009 year end deferral account balances and actual 2009 capital expenditures. These schedules were marked as Exhibit B-3 under the CAP/ROE Application process. On May 20, 2010 the Commission approved the negotiated settlement agreement reached in respect of the CAP/ROE Application (the CAP/ROE NSA) under Order G-84-10. The CAP/ROE NSA required the following items to be confirmed by the parties that participated in the 2010 RRA NSP:

1. The interim rates effective January 1, 2010 would be made permanent for 2010.
2. Adjustments would be made to the 2010 additions to the common equity deferral accounts for both the Fort St. John/Dawson Creek and Tumbler Ridge divisions approved by the Commission under Order G-172-09 to reflect the agreed to common equity ratio and relative risk premium for 2010 and to reflect the result of making the January 1, 2010 interim rates permanent for 2010.

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On May 26, 2010, PNG distributed to the Commission and registered interveners the regulatory schedules that reflected the terms set forth in both the RRA Interim NSA and the CAP/ROE NSA (the 2010 RRA Final NSP Regulatory Schedules).

This RRA Final NSA documents the parties' agreement with respect to the 2010 RRA Final NSP 2010 Regulatory Schedules and other matters referred to in the CAP/ROE NSA that were subject to confirmation under this RRA Final NSA.

1.0 2010 RRA Final NSP Regulatory Schedules

The parties hereby agree under this RRA Final NSA that the attached 2010 RRA Final NSP Regulatory Schedules accurately reflect the agreements set forth in the Commission approved RRA Interim NSA and CAP/ROE NSA.

2.0 Interim Rates Effective January 1, 2010 to be Permanent for 2010

The parties agree under this RRA Final NSA that the interim rates approved by the Commission effective January 1, 2010 will be made permanent for 2010 and that making the 2010 interim rates permanent is not to be deemed a precedent for rate making purposes. The parties acknowledge that the Commission has the ultimate authority to set rates and the utilization of the common equity deferral accounts to enable the interim rates to be made permanent is at the discretion of the Commission.

3.0 Common Equity Deferral Accounts

The parties agree under this RRA Final NSA that the 2010 additions to the common equity deferral accounts to reflect the common equity ratio and relative risk premiums agreed to under the CAP/ROE NSA is a debit of \$294,000 before tax in the Fort St. John/Dawson Creek division and a credit of \$15,000 before tax in the Tumbler Ridge division. The parties agree that the foregoing 2010 additions to the common equity deferral accounts reflect the deferred revenue in 2010 as a result of agreeing to make the January 1, 2010 interim rates permanent for 2010.

Pacific Northern Gas (N.E.) Ltd.
(Fort St. John / Dawson Creek Division)

NSP 10 to Mar. 5'10 Update
COST OF SERVICE COMPARISON
(\$000)

EXPENSES	NSP 10	Mar. 5'10	Difference	
	Test Year 2010	Test Year 2010	Total	Subtotal
Operating				
Labour	1,561	1,561	0	
Other	2,372	2,372	0	
Sub-total	3,933	3,933	0	
Maintenance				
Labour	88	88	0	
Other	195	195	0	
Sub-total	283	283	0	
Administrative and General				
Labour	0	0	0	
Total Company Benefits	458	458	0	
Other	1,107	1,107	(0)	
Sub-total	1,565	1,565	(0)	
Total (O, M, A & G) Excluding Co. Use	5,780	5,780	(0)	(0)
Transfers to Capital Operating	(247)	(247)	0	
Transfers to Capital Admin. & Gen.	(248)	(248)	0	
Property Taxes	1,052	1,052	0	
Depreciation	1,517	1,517	0	
Amortization	34	36	(3)	
Other Income	(196)	(196)	0	
CAP/ROE Deferred Revenue	(294)	0	(294)	
Settlement Allowance	(20)	(20)	(0)	(296)
Total Expenses Excluding Co. Use	7,378	7,676	(298)	(296)
Income Taxes	395	455	(60)	
Return on Common Equity	1,529 ⁽¹⁾	1,678 ⁽²⁾	(148)	
Short Term Debt	34	45	(12)	
Long Term Debt	971	920	52	(168)
Total Cost of Service Excluding Co. Use	10,308	10,773	(465)	(465)
Company Use Gas	433	433		
Total Cost of Service Including Co. Use	10,741	11,206		
2009 to 2010 Cost of Service Increase	700	1,165	(465)	
2009 to 2010 Margin (Increase) Decrease	(700) ⁽³⁾	(66)	(635)	
2010 Revenue Deficiency	0	1,099	(1,099)	

1. Deemed common equity of 40%

2. Deemed common equity of 42.5%

3. Forecast 2010 margin based on interim rates effective January 1, 2010

NSP 2010
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John / Dawson Creek Division)

NSP 2010 vs. NSP 2009
COST OF SERVICE COMPARISON
(\$000)

EXPENSES	NSP 2010	NSP 2009	Difference	
			Total	Subtotal
Operating				
Labour	1,561	1,490	70	
Other	2,372	2,303	70	
Sub-total	3,933	3,793	140	
Maintenance				
Labour	88	71	17	
Other	195	152	43	
Sub-total	283	223	60	
Administrative and General				
Labour	0	0	0	
Total Company Benefits	458	441	16	
Other	1,107	1,096	10	
Sub-total	1,565	1,538	27	
Total (O, M, A & G) Excluding Co. Use	5,780	5,553	227	227
Transfers to Capital Operating	(247)	(207)	(40)	
Transfers to Capital Admin. & Gen.	(248)	(208)	(39)	
Property Taxes	1,052	977	74	
Depreciation	1,517	1,430	87	
Amortization	34	(43)	77	
Other Income	(196)	(187)	(9)	
CAP/ROE Deferred Revenue	(294)	0	(294)	
Settlement Allowance	(20)	(23)	4	(140)
Total Expenses Excluding Co. Use	7,378	7,292	87	87
Income Taxes	395	283	112	
Return on Common Equity	1,529 ⁽¹⁾	1,161 ⁽²⁾	368	
Short Term Debt	34	82	(48)	
Long Term Debt	971	790	182	614
Total Cost of Service Excluding Co. Use	10,308	9,608	700	700
Company Use Gas	433	542		
Total Cost of Service Including Co. Use	10,741	10,150		
2009 to 2010 Cost of Service Increase (Decrease)			700	
2009 to 2010 Margin Decrease (Increase)			(700) ⁽³⁾	
2010 Revenue Deficiency (Sufficiency)			0	

1. Deemed common equity of 40%

2. Deemed common equity of 35%

3. Forecast 2010 margin based on interim rates effective January 1, 2010

NSP 2010
Tab 1
FSJ/DC
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek Division)

UTILITY INCOME & RETURN

SCHEDULE 1
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Energy sales (TJ)	3 509	3 526	Tab Rates, page 7
2	Average rate per GJ	\$8.86	\$10.39	
3				
4	Transportation service (TJ)	1 147	1 211	Tab Rates, page 7
5	Average rate per GJ	\$1.19	\$1.06	
6				
7	Total deliveries (TJ)	4 656	4 737	Tab Rates, page 7
8				
9	Utility revenue			
10	Energy sales	\$31,105	\$36,858	Tab Rates, page 10
11	Interim rates - sales	0	(202)	Tab Rates, page 9
12	Transportation service	1,364	1,312	Tab Rates, page 10
13	Interim rates - transportation	0	(29)	Tab Rates, page 9
14				
15		32,469	37,939	
16	Cost of sales	21,728	27,790	Tab Rates, page 10 & 15
17				
18	Gross margin	10,741	10,149	
19				
20	Operating expenses	4,119	4,128	Tab 1, page 2, line 6
21	Maintenance expenses	283	223	Tab 1, page 2, line 10
22	Admin. & general expenses	1,317	1,329	Tab 1, page 2, line 16
23	Property taxes	1,052	977	Tab 1, page 6, line 4
24	Depreciation	1,517	1,430	Tab 2, page 6, line 49
25	Amortization	34	(43)	Tab 2, page 9, line 24
26	Investment income, other revenue	(196)	(187)	Tab 1, page 7, line 7
27	CAP/ROE deferred revenue	(294)	-	Tab 2, page 9, line 11
28	Settlement Allowance	(20)	(23)	
29				
30		7,812	7,834	
31				
32	Earned return before income taxes	2,930	2,315	
33	Income taxes	395	283	Tab 3, page 1, line 14
34				
35	Earned return	\$2,534	\$2,032	
36				
37	Utility rate base	\$38,622	\$36,360	Tab 2, page 1, line 21
38				
39	Return on rate base	6.56%	5.59%	Tab 5, page 1, line 23

NSP 2010
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek Division)

UTILITY RATE BASE

SCHEDULE 2
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Plant in service beginning of year	\$70,696	\$65,701	Tab 2, page 3, line 46
2	Additions	3,039	2,818	Tab 2, page 3, line 46
3	Disposals	(20)	(15)	Tab 2, page 3, line 46
4				
5	Plant in service end of year	73,716	68,504	
6	Accumulated depreciation	27,687	26,132	Tab 2, page 6, line 43
7				
8	Net plant in service end of year	46,029	42,372	
9				
10	Net plant beginning of year	44,880	41,319	Tab 2, pages 3 & 6, lines 46 & 43
11				
12	Net plant in service midyear	45,454	41,846	
14	Contributions for construction	(8,274)	(7,179)	Tab 2, page 17, line 13
15	Unamortized deferred charges	301	402	Tab 2, page 9, line 15
16	Deferred income taxes	(553)	(553)	
17	Reserve for damages	(69)	(69)	
18	Cash working capital	1,563	1,703	Tab 2, page 10, line 8
19	Other working capital	199	210	Tab 2, page 16, line 15
20				
21	Utility rate base, midyear	<u>\$38,622</u>	<u>\$36,360</u>	

NSP 2010
Tab 3
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek Division)

INCOME TAXES

SCHEDULE 3
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Calculation of Taxable Income			
2	Earned return before income taxes	\$2,930	\$2,315	Tab 1, page 1, line 31
3	Interest	(1,005)	(871)	Tab 5, page 1, lines 1, 3, 6 & 8
4	Permanent differences	15	13	
5	Timing differences	(552)	(514)	Tab 3, page 1, line 26
6				
7	Taxable income	<u>\$1,387</u>	<u>\$943</u>	
8				
9	Calculation of Income Tax Expense			
10	Income taxes payable	\$395	\$283	
11	Income Tax Rate Deferral	-	-	
12	Deferred income tax	-	-	
13				
14	Income tax expense	<u>\$395</u>	<u>\$283</u>	
15				
16	Particulars of Timing Differences			
17	A. Tax Effects Subject To Flowthrough			
18	Depreciation	\$1,517	\$1,430	Tab 1, page 1, line 24
19	Amortization	34	(43)	Tab 1, page 1, line 25
20	Capital cost allowance	(1,707)	(1,569)	
21	Deferred charges	-	-	
22	Overheads capitalized	(396)	(332)	
23	Other	-	-	
24				
25				
26	Timing differences	<u>(\$552)</u>	<u>(\$514)</u>	
27				
28	Tax rate	28.50%	30.00%	
29	Surtax Rate	0.00%	0.00%	
30	Deferred tax rate	28.50%	30.00%	

NSP 2010
Tab 4
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek Division)

COMMON EQUITY

SCHEDULE 4
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Opening balance			
2	Share capital	\$8,295	\$8,295	
3	Contributed surplus	-	-	
4	Retained earnings	5,968	4,691	
5				
6		14,263	12,986	
7				
8	Net income	1,529	1,161	
9	Shares issued	1,750	-	
10	Preferred dividends	-	-	
11	Common dividends	(2,658)	(954)	
12				
13	Closing balance	\$14,885	\$13,193	
14				
15				
16	Midyear common equity	\$15,449	\$13,090	

NSP 2010
Tab 5
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek Division)

RETURN ON CAPITAL

SCHEDULE 5
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Short term borrowings	\$2,076	\$3,387	
2	proportion	5.37%	9.32%	
3	rate of return	1.62%	2.41%	Tab 5, page 2, line 11
4	return component	0.09%	0.22%	
5				
6	Long term debt	\$21,097	\$19,883	Tab 5, page 3, line 55
7	proportion	54.63%	54.68%	
8	rate of return	4.60%	3.97%	Tab 5, page 3, line 57
9	return component	2.52%	2.17%	
10				
11	Common equity	\$15,449	\$13,089	
12	proportion	40.00%	36.00%	
13	rate of return	9.90%	8.87%	
14	return component	3.96%	3.19%	
15				
16	Total capitalization	<u>\$38,622</u>	<u>\$36,360</u>	
17				
18	Return on rate base	<u>6.56%</u>	<u>5.59%</u>	
19				
20	Utility rate base	<u>\$38,622</u>	<u>\$36,360</u>	Tab 2, page 1, line 21

NSP 2010
Tab 2
FSJ/DC
2010 Rate App.
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek Division)

CONTINUITY OF DEFERRED CHARGES

		YEAR 2009 (000's)				
Line	Description	Actual Balance '08	Additions	Tax	Amortization	Balance '09
1	Rate base items					
2	Property tax variance	24	12	(4)	24	8
3	BCUC Hearing costs & CAP/ROE	(8)	23	(7)	1	8
4	Contribution to WEI Taylor	0	0	0	0	0
5	Studies	0	0	0	0	0
6	RSAM	440	(540)	162	0	62
7	DC Industrial Deliveries	8	16	(5)	4	15
8	Resource Plans	13	0	0	0	13
9	Bill 198 Compliance Costs	17	0	0	9	9
10	IFRS	3	9	(3)	0	10
11	Common Equity	0	95	(29)	0	67
12	Old Revolving Debt Issue Costs	0	0	0	0	0
13		499	(384)	115	37	192
14						
15	Average rate base for the year					<u>\$345</u>
16						
17	Interest bearing deferrals					
18	BCUC Fees	(6)	(14)	4	(6)	(10)
19	Short Term Interest Rate	(43)	27	(8)	(10)	(13)
20	Long Term Interest Rate	(124)	(67)	20	(62)	(109)
21	Depreciation Adjustment	(0)	-	-	(0)	(0)
20	Carbon / Income Tax	(3)	-	-	(3)	0
21	GCVA	(1,493)	(365)	110	0	(1,749)
22						
23		(1,668)	(419)	126	(81)	(1,881)
24						
25	Total deferrals (excl. debt issue)	<u>(\$1,170)</u>	<u>(\$804)</u>	<u>\$241</u>	<u>(\$44)</u>	<u>(\$1,688)</u>
26						
27						
28	Debt Issue Costs	<u>433</u>	<u>10</u>	<u>0</u>	<u>81</u>	<u>\$363</u>

NSP 2010
Tab 2
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Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek Division)

CONTINUITY OF DEFERRED CHARGES

NSP 2010 (000's)						
Line	Description	Balance '09	Additions	Tax	Amortization	Forecast Balance '10
1	Rate base items					
2	Property tax variance	8	0	0	8	0
3	BCUC Hearing costs & CAP/ROE	8	36	(10)	10	24
4	Contribution to WEI Taylor	0	0	0	0	0
5	Studies	0	0	0	0	0
6	RSAM	62	(30)	9	0	41
7	DC Industrial Deliveries	15	0	0	8	8
8	Resource Plans	13	0	0	13	0
9	Bill 198 Compliance Costs	9	0	0	9	(0)
10	IFRS	10	32	(9)	0	32
11	Common Equity	67	294	(84)	0	277
12	Old Revolving Debt Issue Costs	0	46	0	17	29
13		192	377	(94)	64	410
14						
15	Average rate base for the year					<u>\$301</u>
16						
17	Interest bearing deferrals					
18	BCUC Fees	(10)	(0)	0	(10)	(0)
19	Short Term Interest Rate deferral	(13)	56	(16)	34	(7)
20	Long Term Interest Rate deferral	(109)	(3)	0	(54)	(58)
21	Depreciation Adjustment	(0)	-	0	-	(0)
20	Carbon / Income Tax	0	-	0	0	0
21	GCVA	(1,749)	3,109	(895)	0	465
22						
23		(1,881)	3,161	(911)	(30)	400
24						
25	Total deferrals (excl. debt issue)	<u>(\$1,688)</u>	<u>\$3,538</u>	<u>(\$1,005)</u>	<u>\$34</u>	<u>\$811</u>
26						
27						
28	Debt Issue Costs	<u>\$363</u>	<u>\$17</u>	<u>\$0</u>	<u>\$67</u>	<u>\$313</u>

Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

NSP 2010 to Mar. 5'10 Update
COST OF SERVICE COMPARISON
(\$000)

EXPENSES	NSP 10 Test Year 2010	Mar. 5'10 Test Year 2010	Difference Total	Subtotal
Operating				
Labour	233	233	0	
Other	334	334	0	
Sub-total	567	567	0	
Maintenance				
Labour	26	26	0	
Other	104	104	0	
Sub-total	129	129	0	
Administrative and General				
Labour	0	0	0	
Total Company Benefits	50	50	0	
Other	82	82	(0)	
Sub-total	132	132	(0)	
Total (O, M, A & G) Excluding Co. Use	829	829	(0)	(0)
Transfers to Capital Operating	(6)	(6)	0	
Transfers to Capital Admin. & Gen.	(6)	(6)	0	
Property Taxes	80	80	0	
Depreciation	128	128	0	
Amortization	(26)	(27)	1	
Other Income	(12)	(12)	0	
CAP/ROE Deferred Revenue	15	0	15	
Settlement Allowance	0	0	0	15
Total Expenses Excluding Co. Use	999	984	15	15
Income Taxes	21	23	(2)	
Return on Common Equity	69 ⁽¹⁾	75 ⁽²⁾	(5)	
Short Term Debt	1	1	(0)	
Long Term Debt	66	64	2	
Preferred Shares	0	0	0	(6)
Total Cost of Service Excluding Co. Use	1156	1146	10	10
Company Use Gas	83	83		
Total Cost of Service Including Co. Use	1239	1229		
2009 to 2010 Cost of Service Increase	124	114	10	
2009 to 2010 Margin (Increase) Decrease	(124) ⁽³⁾	(46)	(79)	
2010 Revenue Deficiency	0	69	(69)	

1. Deemed common equity of 10.15%

2. Deemed common equity of 0%

3. Forecast 2010 margin based on interim rates effective January 1, 2010

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Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

NSP 2010 vs. NSP 2009
COST OF SERVICE COMPARISON
(\$000)

EXPENSES	NSP 2010	NSP 2009	Difference Total	Subtotal
Operating				
Labour	233	233	0	
Other	334	319	16	
Sub-total	<u>567</u>	<u>552</u>	<u>16</u>	
Maintenance				
Labour	26	25	1	
Other	104	69	35	
Sub-total	<u>129</u>	<u>94</u>	<u>36</u>	
Administrative and General				
Labour	0	0	0	
Total Company Benefits	50	44	7	
Other	82	82	(0)	
Sub-total	<u>132</u>	<u>126</u>	<u>6</u>	
Total (O, M, A & G) Excluding Co. Use	829	771	58	58
Transfers to Capital Operating	(6)	(4)	(2)	
Transfers to Capital Admin. & Gen.	(6)	(4)	(2)	
Property Taxes	80	79	1	
Depreciation	126	116	10	
Amortization	(26)	(37)	10	
Other Income	(12)	(12)	0	
CAP/ROE Deferred Revenue	15	0	15	
Settlement Allowance	0	(2)	2	33
Total Expenses Excluding Co. Use	<u>999</u>	<u>908</u>	<u>91</u>	<u>91</u>
Income Taxes	21	11	10	
Return on Common Equity	69 ⁽¹⁾	51 ⁽²⁾	18	
Short Term Debt	1	7	(6)	
Long Term Debt	66	55	11	
Preferred Shares	0	0	0	33
Total Cost of Service Excluding Co. Use	<u>1156</u>	<u>1032</u>	<u>124</u>	<u>124</u>
Company Use Gas	83	100		
Total Cost of Service Including Co. Use	<u>1239</u>	<u>1132</u>		
2009 to 2010 Cost of Service Increase (Decrease)			124	
2009 to 2010 Margin Decrease (Increase)			(124) ⁽³⁾	
2010 Revenue Deficiency (Sufficiency)			<u>0</u>	

1. Deemed common equity of 10.15%

2. Deemed common equity of 9.83%

3. Forecast 2010 margin based on interim rates effective January 1, 2010

NSP 2010
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Tumbler Ridge
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**Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)**

UTILITY INCOME & RETURN

**SCHEDULE 1
(000's)**

Line No.		NSP 2010	NSP 2009	Source
1	Energy sales (TJ)	180	165	Tab Rates, page 5
2	Average rate per GJ	\$10.02	\$11.75	
3				
4	Transportation service (TJ)	850	850	Tab Rates, page 5
5	Average rate per GJ	\$0.38	\$0.36	
6				
7	Total deliveries (TJ)	1 030	1 015	Tab Rates, page 5
8				
9	Utility revenue			
10	Energy sales	\$1,798	\$1,950	Tab Rates, page 4
11	Interim rates - sales	0	(7)	Tab Rates, page 3
12	Transportation service	322	304	Tab Rates, page 4
13	Interim rates - transportation	0	(3)	Tab Rates, page 3
14				
15		2,120	2,245	
16	Cost of sales	881	1,113	Tab Rates, pages 4 & 7
17				
18	Gross margin	1,239	1,132	
19				
20	Operating expenses	644	647	Tab 1, page 2, line 6
21	Maintenance expenses	129	94	Tab 1, page 2, line 10
22	Admin. & general expenses	126	122	Tab 1, page 2, line 16
23	Property taxes	80	79	Tab 1, page 6, line 4
24	Depreciation	126	116	Tab 2, page 6, line 49
25	Amortization	(26)	(37)	Tab 2, page 9, line 28
26	Investment income, other revenue	(12)	(12)	Tab 1, page 7, line 7
27	CAP/ROE deferred revenue	15	-	Tab 2, page 9, line 12
28	Settlement Allowance	0	(2)	
29		1,082	1,008	
30				
31	Earned return before income taxes	157	124	
32	Income taxes	21	11	Tab 3, page 1, line 14
33				
34	Earned return	\$136	\$113	
35				
36	Utility rate base	\$1,708	\$1,565	Tab 2, page 1, line 20
37				
38	Return on rate base	7.97%	7.21%	Tab 5, page 1, line 18

NSP 2010
Tab 2
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Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

UTILITY RATE BASE

SCHEDULE 2
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Plant in service beginning of year	\$8,585	\$8,323	Tab 2, page 2, line 50
2	Additions	252	268	Tab 2, page 3, line 50
3	Disposals	-	-	Tab 2, page 2, line 50
4				
5	Plant in service end of year	8,837	8,591	
6	Accumulated depreciation	5,580	5,403	Tab 2, page 6, line 39
7				
8	Net plant in service end of year	3,257	3,189	
9				
10	Net plant beginning of year	3,183	3,085	Tab 2, pages 3 & 5, lines 50 & 39
11				
12	Net plant in service midyear	3,220	3,137	
13	Contributions for construction	(1,050)	(1,093)	Tab 2, page 16, line 13
14	Unamortized deferred charges	(23)	(36)	Tab 2, page 9, line 16
15	Deferred income taxes	(415)	(415)	
16	Reserve for damages	(155)	(155)	
17	Cash working capital	131	127	Tab 2, page 10, line 8
18	Other working capital	-	-	
19				
20	Utility rate base, midyear	<u>\$1,708</u>	<u>\$1,565</u>	

NSP 2010
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Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

INCOME TAXES

SCHEDULE 3
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Calculation of Taxable Income			
2	Earned return before income taxes	\$157	\$124	Tab 1, page 1, line 30
3	Interest	(67)	(61)	Tab 5, page 1, lines 1, 3, 6 & 8
4	Permanent differences	0	0	
5	Timing differences	(16)	(26)	Tab 3, page 1, line 25
6				
7	Taxable income	<u>\$74</u>	<u>\$37</u>	
8				
9	Calculation of Income Tax Expense			
10	Income taxes payable	\$21	\$11	
11	Income Tax Rate Deferral	-	-	
12	Deferred income tax	-	-	
13				
14	Income tax expense	<u>\$21</u>	<u>\$11</u>	
15				
16	Particulars of Timing Differences			
17	A. Tax Effects Subject To Flowthrough			
18	Depreciation	\$126	\$116	Tab 1, page 1, line 24
19	Amortization	(26)	(37)	Tab 1, page 1, line 25
20	Capital cost allowance	(107)	(99)	
21	Deferred charges	-	-	
22	Overheads capitalized	(10)	(6)	
23	Other	-	-	
24				
25	Timing differences	<u>(16)</u>	<u>(26)</u>	
26				
27	Tax rate	28.50%	30.00%	
28	Surtax rate	0.00%	0.00%	
29	Deferred tax rate	28.50%	30.00%	

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Tumbler Ridge
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Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

COMMON EQUITY

SCHEDULE 4
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Opening balance			
2	Share capital	\$230	\$230	
3	Contributed surplus	-	-	
4	Retained earnings	345	345	
5				
6		575	575	
7				
8	Net income	\$69	\$51	
9	Shares Issued	125	-	
10	Preferred dividends	-	-	
11	Common dividends	(104)	(75)	
12				
13	Closing balance	\$666	\$552	
14				
15				
16	Midyear common equity	\$683	\$564	

NSP 2010
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Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

RETURN ON CAPITAL

SCHEDULE 5
(000's)

Line No.		NSP 2010	NSP 2009	Source
1	Short term borrowings	\$91	\$244	
2	proportion	5.35%	15.61%	
3	rate of return	0.96%	2.71%	Tab 5, page 2, line 11
4	return component	0.05%	0.42%	
5				
6	Long term debt	\$933	\$757	Tab 5, page 3, line 24
7	proportion	54.65%	48.39%	
8	rate of return	7.06%	7.24%	Tab 5, page 3, line 26
9	return component	3.86%	3.50%	
10				
11	Common equity	\$683	\$564	
12	proportion	40.00%	36.00%	
13	rate of return	10.15%	9.12%	
14	return component	4.06%	3.28%	
15				
16	Total capitalization	<u>\$1,708</u>	<u>\$1,565</u>	
17				
18	Return on rate base	<u>7.97%</u>	<u>7.21%</u>	
19				
20	Utility rate base	<u>\$1,708</u>	<u>\$1,565</u>	Tab 2, page 1, line 20

NSP 2010
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Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

CONTINUITY OF DEFERRED CHARGES

Line	Description	YEAR 2009 (000's)				Actual Balance '09
		Actual Balance '08	Gross Additions	Tax	Amortization	
1	Rate base items					
2	Studies	3	0	0	0	3
3	Line Repair (Babcock)	0	0	0	0	0
3	Industrial Deliveries	(41)	(6)	2	(21)	(25)
4	BCUC Hearing & CAP/ROE	(0)	1	(0)	0	0
5	Property tax deferral	2	(2)	1	2	(1)
6	Resource Plan	1	0	0	0	1
7	RSAM	(12)	4	(1)	0	(9)
8	Tumbler Ridge Plant Upset	0	0	0	0	0
9	Bill 198 Compliance Costs	1	0	0	0	0
10	IFRS	0	1	(0)	0	1
11	Common Equity	0	4	(1)	0	3
12	Old Revolving Debt Issue Costs	0	0	0	0	0
13		(47)	2	(1)	(19)	(27)
14						
15	Average rate base for the year					<u><u>(\$37)</u></u>
16						
17	Interest bearing deferrals					
18	BCUC Fees	(0)	(1)	0	(3)	3
19	GCVA	(167)	(120)	36	0	(251)
20	Depreciation Adjustment	2	0	0	2	(0)
21	Short term Interest	0	3	(1)	1	1
22	Long term Interest	(1)	(1)	0	(0)	(1)
23	Carbon / Income Tax	(0)	0	0	(0)	0
24	Cost of Service	(36)	0	0	(18)	(18)
25		(203)	(118)	35	(19)	(266)
26						
27	Total deferrals (excl. Debt Issue)	<u><u>(\$250)</u></u>	<u><u>(\$116)</u></u>	<u><u>\$35</u></u>	<u><u>(\$38)</u></u>	<u><u>(\$293)</u></u>
28						
29	Debt/equity issue costs	<u><u>\$4</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1</u></u>	<u><u>\$4</u></u>

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Pacific Northern Gas (N.E.) Ltd.
(Tumbler Ridge Division)

CONTINUITY OF DEFERRED CHARGES

Line	Description	NSP 2010 (000's)				
		Actual Balance '09	Gross Additions	Tax	Amortization	Balance '10
1	Rate base items					
2	Studies	3	0	0	0	3
3	Line Repair (Babcock)	0	0	0	0	0
4	Industrial Customer Deferral	(25)	0	0	(12)	(12)
5	BCUC Hearing & CAP/ROE	0	2	(1)	(0)	2
6	Property tax deferral	(1)	0	0	(1)	0
7	Resource Plan	1	0	0	1	0
8	RSAM	(9)	4	(1)	0	(6)
9	Tumbler Ridge Plant Upset	0	0	0	0	0
10	Bill 198 Compliance Costs	0	0	0	0	0
11	IFRS	1	1	(0)	0	2
12	Common Equity	3	(15)	4	0	(8)
13	Old Revolving Debt Issue Costs	0	1	0	0	1
14		(27)	(5)	2	(12)	(19)
15						
16	Average rate base for the year					<u><u>(\$23)</u></u>
17						
18	Interest bearing deferrals					
19	BCUC Fees	3	0	0	3	0
20	GCVA	(251)	336	(97)	0	(12)
21	Depreciation Adjustment	(0)	0	0	0	(0)
22	Short term Interest	1	2	(0)	2	1
23	Long term Interest	(1)	(0)	0	(0)	(1)
24	Carbon / Income Tax	0	0	0	0	0
25	Cost of Service	(18)	(0)	0	(18)	(0)
26		(266)	337	(98)	(14)	(12)
27						
28	Total deferrals (excl. Debt Issue)	<u><u>(\$293)</u></u>	<u><u>\$332</u></u>	<u><u>(\$96)</u></u>	<u><u>(26)</u></u>	<u><u>(\$31)</u></u>
29						
30	Debt/equity issue costs	<u><u>\$4</u></u>	<u><u>\$2</u></u>	<u><u>\$0</u></u>	<u><u>\$1</u></u>	<u><u>\$5</u></u>



Craig P. Donohue
Director, Regulatory Affairs & Gas Supply

Pacific Northern Gas Ltd.
Suite 950
1185 West Georgia Street
Vancouver, BC V6E 4E6
Tel: (604) 691-5673
Tel: (604) 697-8210
Email: cdonohue@png.ca

Via E-Mail

June 9, 2010

B.C. Utilities Commission
6th Floor - 900 Howe Street
Vancouver, B.C.
V6Z 2N3

File No.: 4.2.7(2010)

Attention: William J Grant
Consultant to BCUC

Dear Sir:

**Re: Final Negotiated Settlement Agreement dated June 3, 2010
for PNG(N.E.)'s 2010 Revenue Requirements Application
Project No. 3698579**

Further to your letter dated June 8, 2010 enclosing the Final Negotiated Settlement Agreement ("NSA") for the PNG(N.E.) 2010 revenue requirements application, Pacific Northern Gas (N.E.) Ltd. hereby confirms its acceptance of the Final NSA.

Please direct any questions regarding this letter to my attention.

Yours truly,

A handwritten signature in dark ink, appearing to read 'C.P. Donohue', is written over a light blue horizontal line.

C.P. Donohue

cc. BCOAPO – Jim Quail
Commission Staff - Claudia McMahon

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JUN 10 2010

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YOUNG, ANDERSON
BARRISTERS & SOLICITORS

1616 - 808 Nelson Street
Box 12147, Nelson Square
Vancouver, BC V6Z 2H2
Tel: (604) 689-7400; Fax: (604) 689-3444
Toll Free: 1-800-665-3540

201 - 1441 Ellis Street
Rizzo Plaza
Kelowna, BC V1Y 2A3
Tel: (250) 712-1130
Fax: (250) 712-1180

VIA FACSIMILE

REPLY TO: VANCOUVER OFFICE

June 10, 2010

Mr. William J. Grant
BC Utilities Commission
Sixth Flr , 900 Howe Street
Vancouver B.C V6Z 2N3

Dear Mr. Grant:


Re: PNG (N.E.) Ltd. – 2010 Revenue Requirements Application
Our File No. 00033-0398

Thank you for your letter of June 8, 2010, enclosing the Final Negotiated Settlement Agreement ("NSA") for Pacific Northern Gas (N.E.) Ltd.'s 2010 Revenue Requirements Application. We are confirming that the Peace River Regional District accepts the Final NSA.

If you have any questions, please contact the writer at your earliest convenience.

Yours very truly,

YOUNG, ANDERSON


Carolyn M. MacEachern
maceachern@younganderson.ca

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JUN 10 2010

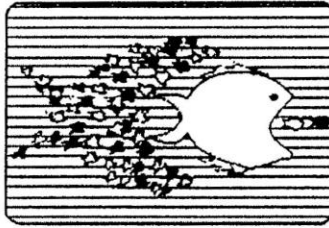
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CMM/ss

cc: Craig Donohue, Director, Regulatory Affairs & Gas Supply, Pacific Northern Gas Ltd
Registered Intervenor
Wayne Hiebert, Director, Peace River Regional District
Fred Banham, Chief Administrative Officer, Peace River Regional District

The
British Columbia
Public Interest
Advocacy Centre

208-1090 West Pender Street
Vancouver, BC V6E 2N7
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Ros Salvador	488-1315
Leigha Worth	687-3044

Barristers & Solicitors

Jodie Gauthier
Articled Student

Our file: 7442

June 10, 2010

VIA EMAIL

Erica M. Hamilton
Commission Secretary
BC Utilities Commission
6th Floor - 900 Howe Street
Vancouver, BC V6Z 2N3

**Re: Final Negotiated Settlement Agreement dated June 3, 2010
for PNG (N.E)'s 2010 Revenue Requirements Application
Project No. 3698579**

This is to confirm that we endorse the terms of the Negotiated Settlement Agreement in this matter on behalf of our clients, BCOAPO et al., and that we consent to the terms being incorporated into an Order of the Commission resolving this Application.

Yours truly,

BC PUBLIC INTEREST ADVOCACY CENTRE

Original in file signed by:

Jim Quail
Executive Director

cc: parties of record

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JUN 11 2010
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