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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-189-10

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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 2010 Fourth Quarter Gas Cost Report and
Propane Commodity Charges effective January 1, 2011
for the Revelstoke Service Area**

BEFORE: L.F. Kelsey, Commissioner
D.A. Cote, Commissioner December 9, 2010
N.E. MacMurchy, Commissioner
D. Morton, Commissioner

O R D E R

WHEREAS:

- A. By Order G-101-10 dated June 10, 2010, the British Columbia Utilities Commission (the Commission) decreased the propane commodity rates for the Terasen Gas Inc. (Terasen Gas) Revelstoke service area (Revelstoke) effective July 1, 2010;
- B. By Order G-141-09 dated November 26, 2009 and Order G-158-09 dated December 26, 2009, the Commission approved the Terasen Gas Lower Mainland, Inland, and Columbia Service Areas variable per GJ Delivery Charges effective January 1, 2011 and the Return on Equity (ROE) Rate Rider (Rider 2) charges effective January 1 to December 31, 2010;
- C. On December 2, 2010, Terasen Gas submitted its 2010 Fourth Quarter Gas Cost Report for the Lower Mainland, Inland, and Columbia service areas wherein Terasen Gas requested approval to reset the delivery margin related Earnings Sharing Mechanism (ESM) Rate Rider (Rider 3) and Revenue Stabilization Adjustment Mechanism (RSAM) Rate Rider (Rider 5) effective January 1, 2011;
- D. On December 3, 2010, Terasen Gas filed its 2010 Fourth Quarter Gas Cost Report for Revelstoke (the 2010 Fourth Quarter Report);
- E. Terasen Gas provided three sets of forward prices for the forecast cost of propane. One forecast is based 50 percent on the NYMEX West Texas Intermediate (WTI) light sweet crude oil futures and 50 percent on the NYMEX B0 – Mt. Belvieu propane swap prices, the second is based 100 percent on the NYMEX WTI light sweet crude oil futures, and the third is based 100 percent on the NYMEX B0 – Mt. Belvieu propane swap prices;
- F. Using a propane price forecast based on an average of 50 percent of the November 23, 2010 NYMEX WTI light sweet crude oil futures and 50 percent of the November 23, 2010 NYMEX B0 - Mt. Belvieu propane swap prices, and based on the existing rates, the projected pre-tax deferral balance at December 31, 2010 of \$12,265 surplus is forecast to change

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to a pre-tax deficit balance of \$189,228 at December 31, 2011. The rate change trigger mechanism is calculated to be 93.4 percent which does not fall within the deadband range of 95 percent to 105 percent;

- G. Using a propane price forecast based on November 23, 2010 NYMEX WTI light sweet crude oil futures, and based on the existing rates, the projected pre-tax deferral balance at December 31, 2010 of \$1,841 surplus is forecast to change to a pre-tax deficit balance of \$261,168 at December 31, 2011. The rate change trigger mechanism is calculated to be 91.1 percent which does not fall within the deadband range of 95 percent to 105 percent;
- H. Using a propane price forecast based on November 23, 2010 NYMEX B0 - Mt. Belvieu propane swap prices, and based on the existing rates, the projected pre-tax deferral balance at December 31, 2010 of \$22,688 surplus is forecast to change to a pre-tax deficit balance of \$117,054 at December 31, 2011. The rate change trigger mechanism is calculated to be 95.8 percent which falls within the deadband range of 95 percent to 105 percent;
- I. In the 2010 Fourth Quarter Report, Terasen Gas indicates that all three forecasts indicate that current propane cost recovery rates will under-recover costs and requests approval of a propane rate that is based on a propane price forecast using the November 23, 2010 NYMEX B0 - Mt. Belvieu propane swap prices, which would increase the propane reference price by \$0.0147 per litre, from \$0.3342 per litre to \$0.3489 per litre, effective January 1, 2011. This corresponds to a rate increase of \$0.601 per gigajoule;
- J. On a combined basis, the delivery related rate changes and the proposed gas cost recovery rate changes, effective January 1, 2011, equate to an increase to a typical residential customer's annual bill, based on an annual consumption of 50 GJ, of approximately \$33 or 3.2 percent;
- K. Terasen Gas requests that the forecast gas cost information for Revelstoke in Tab 5 of the Application be held confidential on the basis that it is market sensitive information;
- L. The Commission has determined that the requested changes to the propane reference price and propane rate for Revelstoke should be approved.

NOW THEREFORE pursuant to section 61(4) of the *Utilities Commission Act*, the Commission

1. The Commission approves a propane reference price increase of \$0.0147 per litre to \$0.3489 per litre, which corresponds to an increase of \$0.601 per gigajoule in customer rates, effective January 1, 2011.
2. Terasen Gas is to provide a descriptive explanation of the final rates by way of a bill insert or customer notice to all affected customers, to be submitted to the Commission in draft prior to its release.
3. The Commission will hold the gas cost information for Revelstoke in Tab 5 of the Application confidential.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of December 2010.

BY ORDER

Original signed by:

D.A. Cote
Commissioner