

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



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-4-10**

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

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

An Application by Terasen Gas Inc.
for Approval of the Allocation Methodology within the Commodity Cost Reconciliation Account
Related to Gas Costs Incurred in the Provision of Baseload Commodity Supply

BEFORE: D.A. Cote, Commissioner January 7, 2010

O R D E R

WHEREAS:

- A. On January 16, 2004, Terasen Gas Inc. ("Terasen Gas") filed a Cost Allocation Application for Commodity Unbundling and Customer Choice Phase 1 (the "Unbundling Application") wherein the existing methodology for allocating gas costs to the various rate classes, as established by the British Columbia Utilities Commission's February 21, 1992, BC Gas Inc. Phase A Rate Design Decision, was requested to be maintained; and
- B. Commission Order G-25-04 dated March 12, 2004, approved the assignment of Gas Cost Reconciliation Account ("GCRA") components to either the Commodity function and the Commodity Cost Reconciliation Account ("CCRA") or the Midstream function and the Midstream Cost Reconciliation Account ("MCRA"); and
- C. The Commission Panel noted in its Reasons for Decision, attached as Appendix A to Order G-25-04, that the costs to be recorded in the CCRA were almost entirely variable in nature, with the two exceptions being the relatively small fixed core market administration cost and the 30 percent demand component of the old netback baseload contracts that were being phased out, and concluded that CCRA balances should be treated as variable costs; and
- D. On March 7, 2008, Terasen Gas filed its 2008 First Quarter Gas Cost Report for the Lower Mainland, Inland, and Columbia Service Areas (the "2008 First Quarter Report") wherein it was noted that the last remaining 70/30 netback contracts had expired October 31, 2006 and that effective April 1, 2008 the CCRA costs in the determination of the Commodity Cost Recovery Charge for the Sales Rate Classes were allocated on a volumetric consumption basis; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-4-10

2

- E. Commission Order G-38-08 dated March 13, 2008 approved the requested rate changes as outlined in the 2008 First Quarter Report; and
- F. On December 22, 2009, Terasen Gas filed an application for Commission acceptance of an agreement for incremental firm T-North Long Haul service on the Westcoast Energy Inc. T-North system wherein Terasen Gas also requested approval of the allocation methodology to be utilized within the CCRA for gas costs incurred in the provision of baseload commodity supply to the receipt points (the "Application"); and
- G. The Commission has reviewed the Terasen Gas filing and concludes that the requested gas cost allocation methodology should be approved.

NOW THEREFORE the Commission orders that the requests in the Application are approved as follows:

1. The Commission approves that costs associated with T-North transport capacity, coupled with commodity purchased at the plant outlet, and delivered as baseload commodity at Station 2 be charged to the CCRA in the same manner as other baseload commodity purchased directly at Station 2.
2. The Commission approves for this specific case, that for cost allocation purposes used in the determination of the Terasen Gas Commodity Cost Recovery Charges, the costs associated with T-North transport capacity, coupled with commodity purchased at the plant outlet, be treated as variable and allocated on a volumetric basis, consistent with Terasen Gas' Commodity's other baseload commodity purchases at the Station 2, AECO, and Huntingdon receipt points.

DATED at the City of Vancouver, in the Province of British Columbia, this 7th day of January 2010.

BY ORDER

Original signed by:

D.A. Cote
Commissioner