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

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-127-11

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

and

Application by Pacific Northern Gas Ltd.
for Approval of its Consolidated Gas Sales Tariff

BEFORE: D.A. Cote, Panel Chair/Commissioner
N.E. MacMurchy, Commissioner
D. Morton, Commissioner

July 18, 2011

O R D E R

WHEREAS:

A. On December 16, 2010, Pacific Northern Gas Ltd. (PNG) filed an application with the British Columbia Utilities Commission (Commission) for a Consolidated Gas Sales Tariff (Application) to harmonize the general terms and conditions of service that apply to its gas sales customers in all of its service areas;

B. The Application proposed to replace the gas sales provisions contained in the following Tariffs that are currently applicable to PNG's service area. PNG also seeks approval for cancellation of those same sections contained in:

PNG-West (Gas Tariff BCUC No. 3)
Fort St. John / Dawson Creek (Gas Tariff BCUC No. 4)
Tumbler Ridge (Gas Tariff BCUC No. 1);

C. The Application proposed wording changes in various sections including, but not limited to, the criteria for applicability of certain rate schedules, amendments to the account application fee and reconnection fee, and reductions to the new service line installation costs;

D. By letter dated January 17, 2011, PNG requested the Commission to include the Application for public review in conjunction with its 2011 revenue requirement application proceeding;

E. The Commission issued Orders G-8-11 and G-9-11 on January 20, 2011, combining the Application with the PNG-West and Pacific Northern Gas (N.E.) Ltd. revenue requirement application review processes;

…/2

F. Commission Staff issued two rounds information requests on February 10, 2011 and April 15, 2011. PNG provided responses on March 4, 2011 and April 29, 2011, respectively. Interveners also participated in the second round of information requests;

G. The Commission has reviewed the Application along with all materials evidenced in this proceeding and considers that a determination is required.

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

1. PNG's Application is approved subject to the revisions to the Consolidated Gas Sales Tariff as follows:

   a. Inclusion of amendments as outlined by PNG in various information requests, responses and submissions filed during this proceeding.

   b. Inclusion of any changes resulting from determinations and directives in the Reasons for Decision, attached as Appendix A to this Order.

2. PNG is to file an amended version of the Consolidated Gas Sales Tariff, taking into account Directive No. 1 above, to the Commission for final endorsement within 10 business days of this Order. The effective date of the amended Consolidated Gas Sales Tariff will be August 1, 2011.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of July 2011.

BY ORDER

Original signed by:

D. A. Cote
Panel Chair/Commissioner

Attachment

IN THE MATTER OF

PACIFIC NORTHERN GAS LTD.

CONSOLIDATED GAS SALES TARIFF APPLICATION

REASONS FOR DECISION

July 18, 2011

BEFORE:

D.A. Cote, Panel Chair/Commissioner
N.E. MacMurchy, Commissioner
D. Morton, Commissioner

TABLE OF CONTENTS

1.0. INTRODUCTION

On December 16, 2010, Pacific Northern Gas Ltd (PNG) filed an application to the British Columbia Utilities Commission (BCUC, Commission) for approval of a Consolidated Gas Sales Tariff (Tariff) and cancellation of those sections of Gas Tariff BCUC Nos. 1 (Tumbler Ridge), 3 (PNG-West) and 4 (Fort St. John/Dawson Creek) that pertain to the sale of gas by PNG-West and Pacific Northern Gas (N.E.) Ltd. [PNG (N.E.)]. The new Tariff is designed to harmonize the general terms and conditions which would apply to gas sales customers served by PNG-West and PNG (N.E.) (Application). On January 17, 2011, PNG made a request to include the Application as part of the PNG-West 2011 Revenue Requirements Application review process. In making this request, the Applicant submits that approval of this request will provide customers and other interested parties an opportunity to ask questions and comment upon the Tariff through a formal public review process. On January 20, 2011, the Commission issued Order G-8-11 and Order G-9-11 combining the Consolidated Gas Tariff Application with the PNG-West and PNG (N.E.) 2011 Revenue Requirements review processes as requested. In consideration of Intervener comments, the Commission confirmed a written process for the Tariff review on January 20, 2011 and issued a Regulatory Timetable in Appendix A to Orders G-8-11 and G-9-11.

2.0. THE APPLICATION

PNG states that one of its key objectives in creating a single Gas Sales Tariff was to harmonize its standard fees and charges in all of its service areas. Currently, there is significant variance among the companies with respect to application fees, reconnection fees and new service line installation costs. In addition, a number of the terms and conditions have not been updated in many years.

Among other changes, standard fees of $30 for application and $60 for reconnection which are currently in place in PNG-West will now apply to PNG (N.E.) customers. PNG notes that the 2011 Revenue Requirements Application was based on existing fees. PNG suggests any differences between 2011 revenue forecast under the old fees and those forecasted using the new fees be recorded in a deferral account from the date of implementation.

The most substantive change proposed by PNG is that of new service line installation costs where a fee of $450 will apply to each new service line 42 mm diameter pipe and up to 21 meters in length with an additional cost of $10 per extra meter. Installations requiring larger 60 mm diameter pipe would draw fees based on actual costs. While this rate is generally consistent with current rates in the PNG (N.E.) service area, it represents a significant drop from the current $1,000 fee in the PNG-West service area. PNG notes the higher rate in PNG-West, while based on a 2001 estimate of the average cost of service line, regulator and meter, was an impediment to attracting new customers.

PNG states that its Application includes rate schedules for its customers broken down by service area and customer class which are currently in effect. PNG notes that the numbering on all rate schedules is consistent in all service areas. The only substantive change is PNG's recommendation that the 15,000 GJ per year minimum sales requirement utilized by PNG (N.E.) for its small industrial customer class be eliminated as criteria for qualifying for this rate schedule. This will be replaced by PNG-West wording with no minimum sales requirement. (Exhibit B-2, pp. 2-3)

During the regulatory process PNG agreed to a number of amendments to the Tariff. Many of these originated from issues raised by Information Requests from BCUC and BCOAPO.

3.0. INTERVENER SUBMISSIONS

BCOAPO outlined two areas of concern with respect to the Consolidated Gas Sales Tariff Application.

The first of these related to the reconnection fees. BCOAPO's position is the charge for reconnection and new accounts should be the same rather than $60 for reconnection and $30 for a new account. The Intervener reports that PNG has advised them that the higher cost for reconnection is to discourage customers from trying to "game" the tariff and avoid fixed customer charges in the non-heating season by disconnecting in spring and reconnecting again in winter. BCOAPO submits that the result of this is needless extra cost and hardship for households who may have had service temporarily disconnected because they faced financial difficulty. As an alternative, BCOAPO suggests charging $30 but raising it to $60 only in those instances where services have been disconnected for 3 calendar months in succession.

The second issue relates to the level of interest charged on overdue accounts. It is BCOAPO's view that the 1.5 percent per month interest rate is not reflective of the current environment and describes it as "usurious." The Intervener proposed that the rate be reduced to 0.5 percent per month which compounds to 6.17 percent per annum.

Subject to these concerns BCOAPO states no objection to approving the Consolidated Gas Sales Tariff as set out in the Application. (Exhibit C1-8)

4.0. PNG SUBMISSIONS

In its Reply Submissions PNG addresses the concerns raised by BCOAPO.

With respect to the $60 reconnection fee, PNG notes there is a significant difference between connecting a customer and reconnecting a customer. When a customer disconnects and reconnects two service calls are required. In the case of a new account only one service call is required. Thus, PNG submits that charging $30 would not be comparatively reasonable. Further, PNG notes that the average cost incurred for reconnection is $60.20 which is in line with the current reconnection charge and therefore fair from a cost recovery point of view.

With respect to the monthly interest rate of 1.5 percent on overdue accounts, PNG submits it is a fair rate. The Applicant refers to its response to BCUC IR 1.16.1 where it states "(t)he late payment rate is set at a level to provide the appropriate incentive to insure customers pay their bills on time. The late payment rate is not comparable to the interest rate PNG pays for its short term borrowings." PNG also points out that the 1.5 percent rate is the same as other major utilities within the province. However, PNG acknowledges BCOAPO's comments regarding financial hardship and states it will, in exceptional circumstances, accommodate the customer by taking into consideration the impact of such additional charges. (PNG Reply Submissions)

5.0. COMMISSION PANEL DECISION

In reaching a decision on this Application the Commission Panel will address its concerns with provisions of the Tariff in addition to those concerns raised by BCOAPO. A discussion of these concerns follows.

i) New Service Line Cost

The basis for PNG reducing the rate to $450 appears to be that the $1,000 new service line cost is sufficiently high to discourage new customers to contract for natural gas. The Applicant notes that this issue was addressed in the 2001 PNG-Revenue Requirements Hearing. In that instance the Panel directed PNG to charge the full estimated cost of service connection reasoning that it was "...generally fair to new and existing customers and it minimizes the financial exposure of the Utility to ne w customers." In the same determination, the Panel noted that once the finances of PNG improve it would request PNG to consider an approach such as that used by BC Gas at the time. This approach involved charging "...a lower standard fee for most service connections and a surcharge once the estimated cost exceeds a certain limit that is higher than the standard fee." In eff ect, this is what PNG has done.

Commission Panel Determination

The Commission Panel is of the view that a reduction in the price of the new service line cost is likely to make the prospect of choosing natural gas as an energy source more attractive to potential customers. This, in turn, will likely lead to additional system throughput and provide existing customers the benefit of lower delivery costs. Further, the Panel notes that the position taken by PNG with respect to new service line costs is directionally in line with the current terms at FortisBC Energy Inc. Presently FortisBC Energy Inc. has no additional charge for most customers connecting to the main line as long as certain conditions are met and cost allowances are not exceeded. Therefore, the practice of collecting less than the full costs associated with providing connection services is not incongruent with industry practice and, where applied, is likely to result in a lowering of delivery costs related to increased throughput. Accordingly, the Panel accepts that the potential benefits to existing ratepayers and new ratepayers are sufficient to override concerns regarding the fairness to existing ratepayers of sharing in some of the costs of new connections. **The Commission Panel has determined that harmonizing the connection fee rate to $450 for all service areas is in the public interest.**

ii) Meter Reading Intervals

Within the Tariff, the intervals and parties responsible for meter reading are eliminated. It is PNG's position that Measurement Canada Regulations require actual meter reading to be done once a year. Although the practice is to read meters bi monthly PNG states it does not want to include these parameters within the Tariff. The Commission Panel considers the matter to be of importance.

Commission Panel Determination

In the Panel's view customers should be given some comfort as to the intended frequency of meter reads an d these should be reflected in the tariff. This should not necessarily lock the utility into a particular schedule but inform the customer as to usual practice. **Accordingly, the Panel orders that the following be added to Section 11 of the Tariff.**

Meter Reading – The interval between consecutive meter readings shall be at the sole discretion of Pacific Northern Gas. However, the meter will normally be read by an employee or representative of the company every second month. An accurate record of all meter readings shall be kept by the Company and shall be the basis for the determination of all bills rendered for service. For billing purposes, Pacific Northern Gas may estimate the customer's meter reading if, for any reason, it does not obtain an actual meter reading.

iii) Reconnection Fees

The Commission Panel has reviewed the submissions of BCOAPO and PNG. PNG's submission that there are two trips required for the termination and reconnection of services is informative. The activities required for the two services are easily distinguishable from one another. Further, on a cost basis they are reasonable and also can be considered fair and equitable.

Commission Panel Determination

The Panel has determined that that the proposed rates of $30 for a new account and $60 for a reconnection are appropriate.

iv) Interest Rate on Overdue Accounts

The rate being charged by PNG with respect to interest on overdue accounts is not dissimilar to those of other utilities in the province. The Commission Panel notes that PNG's submission that these interest charges exist to provide an incentive for timely payment is a valid proposition. In the view of the Panel, PNG is not a lending institution and taking steps to deter late payment of bills is a prudent action to take. PNG is reliant upon timely bill payment to ensure adequate cash flows to meet its obligations. Reducing the level of interest as suggested by BCOAPO may well have unintended consequences to PNG's accounts receivable.

Commission Panel Determination

The Commission Panel has determined that the late interest charge of 1.5 percent is fair and reasonable given the circumstances and the importance of timely bill remittance. Moreover, we note that the actual dollar cost of this rate being imposed on even a needy customer would be relatively small. Additionally, PNG has indicated it is willing to accommodate customers in exceptional circumstances.

The Panel has reviewed the Tariff and is satisfied that the provisions therein are generally satisfactory and are not dissimilar to those of other utilities within the province of British Columbia. **Accordingly, the Commission Panel approves the Gas Sales Tariff as submitted by PNG on behalf of PNG-West and PNG (N.E.) subject to agreed upon amendments and the preceding determinations being incorporated and filed with the Commission within ten business days of this Order. In addition, the Panel approves the cancellation of parts of Gas Tariff Nos. 1, 3 and 4 as outlined in the Application.**