IN THE MATTER OF

Pacific Northern Gas Ltd.
(PNG-West Division)

2012 REVENUE REQUIREMENTS

DECISION

September 21, 2012

Before:

C.A. Brown, Commissioner

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EXECUTIVE SUMMARY

This is a decision pursuant to an application to the British Columbia Utilities Commission (Commission) by Pacific Northern Gas Ltd. (PNG) pursuant to sections 58-61 and 89-90 of the *Utilities Commission Act* for approval of PNG's 2012 forecasted Revenue Requirements to increase rates to support a revenue deficiency of $1.115M. The requested increases in the delivery charge represent a 0.5 percent increase in the annual bill for natural gas residential customers, a 0.3 percent decrease for commercial customers and a 3.5 percent increase for Granisle propane customers.

PNG cites the following reasons as the main drivers for the rate increase: lower gross margin, higher cost of service, and the increasing cost of its pension obligation.

The proceeding was conducted as a written hearing. There were two registered interveners, the Peace River Regional District and the British Columbia Old Age Pensioners' Organization et al. (BCOAPO), of which BCOAPO filed substantial submissions.

Several key issues emerged during the proceeding. The Panel has addressed these issues in the decision, which include: the impact of adopting US Generally Accepted Accounting Principles; the change in ownership of PNG from being a publicly traded company to a wholly owned subsidiary of a publicly traded company, AltaGas Ltd.; corresponding changes to PNG's capital structure, as well as the fact that it redeemed its preference shares; and significant pension accounting issues.

The Commission Panel has reviewed and considered PNG's requests and has approved the 2012 Revenue Requirements Application, subject to the directives contained within the Decision. The significant directives include:

- PNG is to provide in its next Revenue Requirements Application a comparison of the 2012 expected and 2012 actual time PNG executives spent on the parent's regulatory and reporting requirements.

- PNG is to provide a specific and more fulsome explanation of the government relations program and benefits to ratepayers in its next revenue requirements application.
- PNG is to provide a formalized computer policy as part of its next revenue requirements application.
- PNG is to provide more fulsome capital addition expenditure reporting to improve transparency on a project-by-project and year-by-year basis working with Commission staff to prepare such schedules for the next revenue requirements application.
- PNG is to amortize its plant gains and losses deferral account over five years instead of PNG's proposed ten year period. In future revenue requirements applications PNG is also to provide an assessment of each new addition to the plant gains and losses deferral account.
- PNG is to provide an analysis of potential negative salvage accounting in its next revenue requirements application.
- The Commission Panel does not approve PNG's request to reflect the impact of the redemption of preferred shares through raising the common equity component by 1.5 percent to 46.5 percent effective February 28, 2012. The Panel does allow PNG to record the revenue requirement effect of its proposed increase in common equity in a non-rate base deferral account attracting interest at the weighted average cost of debt. Disposition of this deferral account should occur in the next revenue requirements application following the issuance of the Generic Cost of Capital decision.
- Some of PNG's requested treatments for pensions and other non-pension post retirement benefits (NPPRB) were not approved. If PNG wishes to reapply to the Commission for recovery in rates in 2013 for any of the pension/NPPRB items then PNG is to file a separate comprehensive pension application.

1.0 INTRODUCTION

1.1 Background

Pacific Northern Gas Ltd. (PNG, the Utility, the Company) delivers natural gas to about 22,000 customers, including residential, commercial and large industrial operations, in a region extending west of Prince George to the tidewater at Kitimat and Prince Rupert. (Exhibit B-3, Tab Rates, p. 8) PNG's transmission pipeline connects with the Spectra Energy system near Summit Lake, north of Prince George, and extends 587 kilometres to the west coast. In addition, propane vapour distribution is provided to the community of Granisle. A wholly-owned subsidiary, Pacific Northern Gas (N.E.) Ltd. [PNG (N.E.)], serves some 19,000 customers in the Fort St. John (FSJ), Dawson Creek (DC), and Tumbler Ridge (TR) areas of north eastern British Columbia. [2011 PNG (N.E.) RRA, FSJ/DC Tab Rates, p. 11 and TR Tab Rates, p. 6] PNG (N.E.) files its own separate Revenue Requirements Application with the British Columbia Utilities Commission (the BCUC or the Commission).

Pursuant to Order G-168-11 dated October 6, 2011 PNG received Commission approval to use US Generally Accepted Accounting Principals (US GAAP) for regulatory accounting and reporting purposes for the period January 1, 2012 to December 31, 2014. This is PNG's first Revenue Requirements Application under US GAAP.

PNG was a public company trading on the Toronto Stock Exchange (TSX) under stock symbol PNG until December 20, 2011, when AltaGas Ltd. (AltaGas), acquired all of the common shares of PNG. As a result PNG is now a wholly owned subsidiary of AltaGas, and is no longer a publicly owned, reporting company; however, AltaGas is a publicly traded company on the TSX. (PNG Material Change Report, Form 51 – 102F3, December 20, 2011, p. 1)

PNG has several opportunities in the Liquefied Natural Gas industry, in the Kitimat, BC region, referred to in Appendix A.

PNG invoices its customers for its services in the following categories: a Basic Monthly Charge, a Delivery Charge, a Company Use Rate Rider, a Revenue Stabilization Adjustment Mechanism Rate Rider, a Commodity Charge, and a Gas Cost Variance Account Rate Rider. The subject of this Application does not include Commodity Charge or the Gas Cost Variance Account Rate Rider.

1.2 The Application and Approvals Sought

Commission Order G-92-11 approved the Negotiated Settlement Agreement (NSA) for PNG's 2011 Revenue Requirements Application (2011 NSA). Item 24 of the 2011 NSA stated that PNG will prepare its 2012 Revenue Requirements Application assuming the Commission will review the application through a public hearing process and not through a Negotiated Settlement Process.

On November 30, 2011, PNG filed for approval of its 2012 Revenue Requirements Application (2012 RRA) to increase, among other things, its delivery rates pursuant to sections 58 to 61 of the *Utilities Commission Act* (the Act). PNG forecasted a 2012 revenue deficiency of approximately $0.886 million comprised of a net increase in cost of service of $1.288 million offset by an increase in margin of $0.402 million. (Exhibit B-1, Tab Application, p. 3)

PNG also requested refundable interim relief pursuant to sections 58 to 61, 89 and 90 of the Act, to allow PNG to amend its rates on an interim basis, effective January 1, 2012. (Exhibit B-1, Tab Application, p. 1) Commission Order G-207-11 approved the delivery rates and the Rate Stabilization Adjustment Mechanism Rate Rider set forth in the Application on an interim basis, effective January 1, 2012. The Order also established a Preliminary Regulatory Timetable for Intervener registration and a Workshop to review the issues in the Application.

The Peace River Regional District (PRRD) and the British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO – recently changed to British Columbia Pensioners' and Seniors' Organization) registered as Interveners in this proceeding.

In response to a Commission letter dated January, 2012 requesting submissions regarding the appropriate review process for the Application, and comments on a draft Regulatory Timetable, the Commission received submissions from PRRD and PNG supporting a written hearing process while BCOAPO submitted that a written process may be appropriate but it reserved the right to re-assess its position at the conclusion of the evidentiary stage. All parties supported the filing date for Information Requests (IRs) to occur after PNG filed its updates to the Application.

The Commission considered the submissions received and by Order G-13-12, dated February 7, 2012, established an Amended Regulatory Timetable for the preliminary review of the Application. The timetable provided for two rounds of Commission and Intervener IRs followed by further submissions regarding any further process for the review of the Application. A placeholder schedule for written argument was also provided.

On March 15, 2012, PNG filed updates to the 2012 RRA (the 2012 RRA and the updates to the 2012 RRA are collectively referred to as the Application) to reflect the impact of the year end 2011 figures on the forecast 2012 cost of service and the effects of PNG becoming a private company. PNG forecasts a 2012 revenue deficiency of approximately $1.115 million comprised of a net increase in cost of service of $1.040 million and a decrease in margin of $0.075 million.
(Exhibit B-3-1, Tab Application, p. 3)

1.3 The Written Hearing Process

After the evidentiary stage, the Commission received further submissions on process from PNG, BCOAPO and the PRRD in accordance with Order G-13-12. Each of the submissions supported a written hearing to review the Application.

The Commission considered the submissions received, and determined that a written public hearing process should be established to review the Application and revised the Regulatory Timetable for Final Arguments in Order G-65-12.

2.0 REGULATORY AND POLICY FRAMEWORK

PNG applies to the Commission for Revenue Requirements approval, pursuant to sections 58-61 and 89-90 of the *Utilities Commission Act*. Section 59 (1)(a) of the Act provides that a public utility must not make, demand, or receive an "unjust, unreasonable, unduly discriminatory or unduly preferential rate" for its services. The Act further provides that the Commission Panel is the sole judge of determining whether a rate is unjust or unreasonable, or whether there is undue discrimination, preference, prejudice or disadvantage respecting a rate (s. 59(4)). Specifically, the Act sets out the parameters for rate setting, providing that a rate is unjust or unreasonable if it is more than a fair and reasonable charge for service of the nature and quality provided by the utility (59(5)(a)) or if it is "insufficient to yield a fair and reasonable compensation for the service provided by the utility, or a fair and reasonable return on the appraised value of its property" (59(5)(b)).

In terms of the regulatory policy underlying a revenue requirements application, the Panel emphasizes that rates must be fair, just, and reasonable, and must not discriminate nor grant preferences among ratepayers within a class. To be fair and reasonable, the Panel considers the interest of protecting the public in a monopolistic environment in securing fair, reasonable and stable rates, while also allowing the utility an opportunity to earn a reasonable rate of return on its investment.

3.0 SALES VOLUME FORECASTS

This section reviews the sales volume forecasts for each class of PNG's customers. PNG forecasts total 2012 deliveries of 3,979 TJ. (Exhibit B-1, Tab Application, Tab 1, p. 1) PNG revised the 2012 load forecasts as part of its March 15, 2012 updates to the application which decreased total 2012 deliveries to 3,914 TJ. (Exhibit B-3, Tab 1, p. 1) Part of the decrease in the 2012 load forecast related to the reduction in the Small Industrial margin due to the Babine Forest Products sawmills fire. (Exhibit B-3, p. 13)

3.1 Residential and Small Commercial Customers

Actual 2011 gas deliveries to PNG's Residential and Commercial customers were 2,062,165 GJ, compared to forecast 2011 deliveries of 1,981,483 GJ. The forecast 2012 deliveries to PNG's Residential and Commercial customers is 1,955,271 GJ; this represents a decrease in deliveries of 106,894 GJ compared to the Actual 2011 deliveries. (Exhibit B-9, BCUC 1.73.1) The forecasted 2012 gas deliveries to PNG's Residential and Commercial customers were adjusted downward to reflect the impact of a number of factors, including the actual and normalized uses per account for the full 2011 calendar year, and the continued trend toward lower use per account. (Exhibit B-3, p. 13)

PNG has a Commission approved Revenue Stabilization Adjustment Mechanism (RSAM) rate rider deferral account. This deferral account tracks variances between forecast and actual sales volumes, pertaining to residential and small commercial customers. This is an important rate stabilization mechanism, as it is quite challenging to accurately forecast deliveries to customers each year, particularly due to unforeseen circumstances, such as weather. This account tracks differences of revenue in use per account variations, but not variations in number of customers.

3.1.1 Residential

PNG is requesting approval for forecast deliveries of 1,182,098 GJ to its residential customers, calculated by multiplying the 2012 forecast use per account of 66.5 GJ by the weighted average customer count of 17,776 customers. (Exhibit B-3, Tab Rates, p. 8)

PNG forecasts 13 net residential customer additions in 2012. (Exhibit B-3, Tab Rates, p. 8) Net additions are determined by taking the difference between the average of the 2012 month-end customer counts and the 2011 year-end customer count. (Exhibit B-9, BCUC 1.75.1) The number of residential customers forecast in the 2011 PNG Resource Plan has been updated as part of the analysis used to develop the 2012 forecast. The 2012 forecast uses a one year forecast of customer growth or decline based on the previous year's customer counts and estimates by field employees based on their knowledge of local economic activities (i.e. new subdivisions, new businesses). (Exhibit B-9, BCUC 1.76.1.2)

The 2012 forecast use per account of 66.5 GJ figure is only slightly lower than the 67.0 GJ figure used to forecast residential deliveries in 2011. (Exhibit B-3, Tab Application, p. 13) PNG's methodology for forecasting use per account is based on the mid-point between the normalized 2011 use per account and the linear trend for 2012. (Exhibit B-1, Tab Application, p. 43) The normalized 2012 use per account is 66.5 GJ. (Exhibit B-7, p. 3)

Commission Determination

The Commission Panel accepts PNG's 2012 forecast weighted average residential customer count of 17,776 customers, and acknowledges that this is an update to PNG's 2011 Resource Plan. The Commission Panel also accepts the forecast use per account of 66.5 GJ.

3.1.2 Small Commercial

PNG seeks approval for forecast deliveries of 773,137 GJ to its small commercial customers, calculated by multiplying the forecast 2012 use per account of 309.0 GJ by the weighted average customer count of 2,502 customers. (Exhibit B-3, Tab Rates, p. 8) PNG revised its small commercial use per account forecast on March 15, 2012 from 319.7 GJ/year to 309.0 GJ/year when the Application was updated. (Exhibit B-3, p. 13)

The forecast number of small commercial customers is consistent with the historical trend between 2002 and 2011. (Exhibit B-10, BCUC 2.136.1) A comparison of forecasted deliveries to actual deliveries over the 2004 to 2011 period show a bias to forecast 0.5 percent higher than actual for small commercial deliveries. (Exhibit B-10, BCUC 2.134.1.1)

Commission Determination

The Commission Panel accepts PNG's Small Commercial 2012 forecast of 2,503 customers as filed with the Commission in the Application. **The Commission Panel accepts PNG's Small Commercial 2012 forecast of 309 GJ use per customer** as a reasonable forecast since it is supported by historical trend and PNG's forecast methodology.

3.1.3 Rate Stabilization Adjustment Mechanism Amortization

Historically PNG's RSAM rate rider has been amortized over a three year period. Therefore, the current RSAM balance is comprised of cumulative balances from 2009, 2010 and 2011. In the Application PNG has requested to change the amortization period from three years to one year which will result in the 2011 year-end balance being fully amortized in 2012. PNG states that a one year amortization period is required under US GAAP as it requires a maximum amortization period of 24 months following the end of the annual period in which the amounts were recognized. For test periods 2013 onwards, PNG plans to request approval of a 24 month amortization period. (Exhibit B-3, p. 13)

The final approved RSAM rate rider in 2011 was a debit of $0.156/GJ (charge to ratepayers). The current approved interim 2012 RSAM under a three year amortization period is ($.047/GJ) (return to ratepayers). (Exhibit B-1, Tab Rates, p. 14) The applied for updated RSAM under a one year amortization period is ($0.201/GJ) (return to ratepayers). (Exhibit B-3, Tab Rates, p. 14)

Commission Determination

Pursuant to Order G-168-11 PNG received Commission approval to use US GAAP for regulatory accounting and reporting purposes for the period January 1, 2012 to December 31, 2014. Given that a one year amortization is required under US GAAP and that the applied for one year RSAM amortization period will be a larger credit to ratepayers in 2012 than under a three year amortization period **the Commission Panel approves a one year amortization period for the 2011 year end RSAM balance** in order to allow PNG to fully amortize the balance in 2012.

3.2 Granisle

PNG seeks approval of the Granisle forecast propane deliveries to residential customers. PNG forecasts 2012 deliveries of 8,426 GJ to its Granisle residential customers; this represents a decrease in deliveries of 352 GJ compared to the Actual 2011 deliveries. Actual 2011 deliveries to Granisle residential customers were 8,778 GJ, compared to forecast 2011 deliveries of 9,347 GJ. (Exhibit B-9, BCUC 1.80.1) The forecast 2012 deliveries are a function of multiplying the forecasted 2012 use per account of 54.7 GJ by the weighted average customer count of 154 customers. (Exhibit B-3, Tab Rates, p. 8) This forecasting methodology is consistent with the methodology used in PNG's previous applications.

Commission Determination

Given that the 2012 forecasting methodology is consistent with the methodology used in previous applications **the Commission Panel accepts PNG's 2012 forecast of 8,426 GJ of propane deliveries to Granisle Residential customers** as reasonable**.**

3.3 Other Core Market Customers

PNG seeks approval of its 2012 forecast deliveries to its other core market customers. The 2012, other core market forecast deliveries include: 52,200 GJ to Large Commercial Firm customers, 306,647 GJ to Commercial Transportation customers, 24,500 GJ to Commercial Interruptible Sales customers, 16,800 GJ to Seasonal Off-Peak customers, and 11,050 GJ to Natural Gas Vehicle customers. (Exhibit B-3, Tab Rates, p. 8) These forecasts are based on a review of historical deliveries to these customer classes and discussions with some of the customers concerning 2012 expected use. (Exhibit B-1, Tab Application, p. 44) This forecasting methodology is consistent with the methodology used in PNG's previous applications.

Table 3.3-1 - Other Core Market Deliveries (GJ)

Customer Class	Forecast 2012	Approved 2011	Difference
Large Commercial Sales	52,200	44,000	8,200
Commercial Transport	306,646	272,313	34,333
Commercial Interruptible Sales	24,500	31,500	(7,000)
Seasonal Off Peak Sales	16,800	16,400	400
Natural Gas Vehicle Sales	11,050	12,250	(1,200)
Total	**411,196**	**376,463**	**34,733**

(Compiled from Exhibit B-9, BCUC 1.81.1)

Commission Determination

Given that the 2012 forecasting methodology is consistent with the methodology used in previous applications, **the Commission Panel accepts the 2012 deliveries forecast to the Other Core Market customers.**

3.4 Small Industrial

PNG seeks Commission approval of the 2012 forecast deliveries to its small industrial customers. PNG's small industrial customers are comprised of firm sales and firm/interruptible transportation service customers. (Exhibit B-1, Tab Application, p. 44) Actual 2011 deliveries to firm sales customers were 186,564 GJ and deliveries to transportation service customers were 647,391 GJ compared to forecast 2011 deliveries of 180,800 GJ to firm sales customers and 529,100 GJ to transportation service customers. (Exhibit B-9, BCUC 1.82.1) PNG forecasts 2012 deliveries of 160,866 GJ to firm sales customers and 617,960 GJ to transportation service customers. The 2012 forecast represents a decrease of 25,698 GJ to firm sales customers and a decrease of 29,431 GJ to transportation service customers compared to Actual 2011 deliveries. (Exhibit B-3, Tab Rates, p. 8)

The projected 2012 deliveries are based on the forecasts obtained from PNG's small industrial customers. The large increase in 2012 forecasted transportation service volumes as compared to 2011 forecast are primarily due to the anticipated volumes from the Conifex sawmill in Fort St. James. Actual gas deliveries in 2011 have exceeded the forecast approved in 2011 and this higher level is expected to continue in 2012, but they are expected to be somewhat lower than actual 2011 deliveries. (Exhibit B-1, Tab Application, p. 44)

Delivery variances to Conifex are included under the industrial customer deliveries deferral account because Conifex sales vary materially, from year to year. (Exhibit B-1, Tab Application, p. 44) The industrial customer deliveries deferral account is used to record the difference between the forecast margin used to set rates and actual margin recovery from three industrial customers: Conifex, Rio Tinto Alcan, and BC Hydro. (Exhibit B-1, Tab Application, p. 21)

Commission Determination

The Commission Panel accepts the 2012 deliveries forecast to Small Industrial customers.

3.5 Large Industrial

PNG seeks Commission approval for forecast 2012 deliveries of 765,000 GJ to large industrial customers, Rio Tinto Alcan and BC Hydro. The table below provides a breakdown of the deliveries by customer. The Rio Tinto Alcan forecast 2012 deliveries are lower than the 2011 approved forecast due to the impact of smelter operations modernization. PNG is using the delivery figures provided by Rio Tinto Alcan. The BC Hydro deliveries forecast is consistent with historical deliveries during years when BC Hydro only operates its generating station to keep it in a ready to operate mode in case of an emergency. This forecast assumes that BC Hydro will not be operating its Prince Rupert generating station for base load or emergency purposes during 2012. (Exhibit B-1, Tab Application, p. 45) This forecasting methodology is consistent with PNG's previous applications.

Table 3.5-1 - Large Industrial Deliveries (GJ)

Customer	Forecast 2012	Approved 2011	Difference
Rio Tinto Alcan	741,000	852,220	(111,220)
BC Hydro	24,000	24,000	0
Total	**765,000**	**876,220**	**(111,220)**

(Exhibit B-1, Tab Application, p. 45)

Commission Determination

Given that the 2012 forecasting methodology is reasonable, and consistent with the methodology used in previous applications, **the Commission Panel accepts the 2012 deliveries forecast for Large Industrial customers.**

4.0 UNACCOUNTED FOR GAS

The 2008 NSA approved PNG to record Unaccounted for Gas (UAF) losses above 0.7 percent in the UAF volume deferral account without further approval from the Commission. (Order G-165-07, NSA 2008, Item 11) In response to the 0.93 percent variance in 2008, the 2009 NSA accepted PNG's request to increase the band and approved PNG to record a loss of up to 1.0 percent in the UAF volume deferral account without seeking further Commission approval. (Order G-39-09, 2009 NSA, Item 14)

UAF volumes have fluctuated from year to year with annual losses and gains since 2008 resulting in an average of close to 0.4 percent which is within the one percent band.

Table 4-1 - Unaccounted for Gas

in GJ	Reference	Year			
		2008	**2009**	**2010**	**2011**
Unaccounted for gas (gain)/loss	Exhibit B-7, p. 1	61987	(11655)	(61673)	93415
Total Delivieries	Exhibit B-3, Tab 1, p. 1, line 7	6642000	6178000	4197000	4122000
UAF as a Percentage of Total Deleveries		**0.93%**	**-0.19%**	**-1.47%**	**2.27%**

In 2011 PNG experienced a loss of 2.27 percent which was outside the band and applied to the Commission to record the full variance in the deferral account. The Commission approved PNG's request in Order G-24-12.

In the Application PNG has not requested any changes to the Commission decision made in Order G-39-09 nor has anything come to the Commissions attention that would cause it to make a change to this decision. Therefore the Commission continues to allow UAF volume variance of up to 1.0 percent from forecast in the UAF volume deferral account and to require PNG to file an application with the Commission for recovery of any UAF losses above 1.0 percent.

5.0 SERVICE QUALITY INDICATORS

PNG reports on a set of Service Quality Indicators (SQI) as part of each Revenue Requirements Application. The SQI were agreed to by PNG, Interveners and Commission staff in Order G-39-09 (2009 NSA) and were reported on in the Application and updated as in the IR process. They are considered important indicators of the continuing service quality provided by PNG but are not binding on the Utility. PNG states that none of the indicators have deteriorating trends. (Exhibit B-10, BCUC 2.111.1)

Table 5-1 - PNG-West Identified Quality Service Metrics

Description	2011	2010	2009	2008
Number of Emergency Calls	449	446	510	516
Average Response Time (in minutes)	18	18	20	18
Number of Calls with Response Time Greater than 40 Minutes	43	44	70	47
Numbers of Underground Leaks	6	9	7	5
Numbers of Reportable Environmental Incidents	0	2	0	1
Lost Time Injury Frequency Rate	0	0	1.37	0
Customer Complaints to Commission	3	6	10	2

(Exhibit B-10, BCUC 2.111.1)

The Commission Panel is satisfied that PNG has maintained its metrics on the important quality of service measures and has no concerns over the results.

6.0 OPERATING AND MAINTENANCE

PNG seeks approval of Operating and Maintenance (O&M) expenses of $8.586 million and $0.647 million respectively for the 2012 test year, before transfers to capital and not including Company Use Gas which is recovered at cost from customers. (Exhibit B-3, Tab 1, p. 2) This is a forecast increase of $284,000 and $155,000 respectively over 2011 approved forecast figures; or approximately 5 percent on the combined O&M budget. Wages for labour and supervision account for approximately 62 percent of the total O&M budget and include a bargaining agreement labour wage increase of 3.5 percent over 2011. Labour expense increases account for $274,000 or approximately 3.1 percent of the total increase in O&M over 2011 approved forecasts. (Exhibit B-3-1, Tab Application, p. 3; Exhibit B-1, Tab Application, p. 1)

PNG has forecast in 2012 increases related to compliance with new or changing regulations including: WorkSafe BC – Avalanche preparedness $30,000 (Exhibit B-1, Tab Application, p. 7); Measurement Canada (Meters – Account 878) $52,000 (Exhibit B-1, Tab Application, p. 8); and BC's Greenhouse Gas Reduction (Cap and Trade) Act (Account 685) $20,000 (Exhibit B-1, Tab Application, p. 6). Other O&M related increases include third party expenditures of $28,000 for stress corrosion cracking monitoring and assessment (Account 865 Pipelines) and tools ($29,000). (Exhibit B-1, Tab Application, pp. 6, 8)

Commission Determination

The Commission Panel accepts the 2012 forecast cost of service related to Operating and Maintenance expenses.

7.0 ADMINISTRATIVE AND GENERAL EXPENSES

PNG seeks approval of its forecast 2012 administrative and general expenses of $8.514 million [before transfers to capital and shared cost recovery from PNG (N.E.)], an increase of $0.429 million or 5.3 percent over the 2011 NSA. (Exhibit B-3-1, Tab Application, p. 3) The specific issues are outlined in the administrative and general expense categories below.

7.1 Labour

7.1.1 Executive Time - Parent's Regulatory and Reporting Activities

PNG suggests that the executive costs incurred in complying with regulatory and reporting matters of its parent company, AltaGas, should be borne by ratepayers given that PNG is required to support its parent in these matters. Both the Vice President (V.P.) Finance and Business Development and the V.P. Regulatory Affairs and Gas Supply will spend time on such matters. (Exhibit B-10, BCUC 2.99.1)

PNG contends that the amount of time the V.P. Finance and Business Development and the V.P. Regulatory Affairs and Gas Supply will spend time complying with parent company regulatory and reporting requirements will be similar to the amount when PNG was a stand-alone publicly traded company. (Exhibit B-10, BCUC 2.99.1.1, 2.100.1)

Commission Determination

The Commission Panel consider executive time spent on these issues is related to the larger question of whether the shareholder ought to shoulder the burden of such expenses, or whether it is just, fair, and reasonable to expect the ratepayer to pay for these expenses.

For 2012, the Commission Panel accepts PNG's submission that the amount of time PNG executives are expected to spend complying with AltaGas's regulatory and reporting requirements will be similar to when PNG was a stand-alone publicly traded company. Further, the Panel accepts that PNG understands its obligation to allocate executive time appropriately**.** Given that there is no historical information supporting PNG's submission, **the Panel directs PNG to provide in its next Revenue Requirements Application a comparison of the 2012 expected and 2012 actual time PNG executives spent on the parent's regulatory and reporting requirements.** The Panel notes that PNG has already agreed to do this with respect to business development activities.

7.1.2 Executive Time - Vice President of Human Resources and Government Relations

PNG states that effective March 1, 2012, the Director of Human Resources has been promoted to the new position of V.P of Human Resources and Government Relations. This position has increased from 80 percent to 100 percent of a full-time equivalent (FTE) employee. (Exhibit B-3, p. 4)

In the Application PNG states that it wishes to enhance awareness of its operations and ensure that local and provincial government bodies are up to date with PNG's business when they are approached by project developers. To achieve this, the expanded duties of the government relations function will include development and implementation of a more formal government relations mandate and program strategy. (Exhibit B-10, BCUC 2.103.1) PNG states that the V.P. of Human Resources and Government Relations will be the main point of contact for PNG's government relations, will foster positive relations with government stakeholders, and will coordinate PNG's government relations strategy and influence. (Exhibit B-9, BCUC 1.4.1)

PNG further states that the position of V.P. Human Resources and Government Relations is required to be full time due to the addition of the government relations function and the expanded duties of this role. In the past, PNG's government relations activities were not assigned to a specific person due to limited human resources. (Exhibit B-9, BCUC 1.4.2)

Commission Determination

PNG has not explained how increased government relations activities will benefit ratepayers. Ratepayers should only pay for those costs that are related to the nature and quality of service provided by PNG, but the Commission Panel notes that no Intervener took issue with this planned expenditure. Government relations may indeed be a benefit to ratepayers.

The Commission Panel accepts the forecast expense of labour for executive pay for 2012. To ensure that this issue will be further reviewed, **the Commission Panel directs PNG to provide a specific and more fulsome explanation of the government relations program and its benefits to ratepayers in its next Revenue Requirements Application. The explanation should include the time the V.P. Human Resources and Government Relations spends on government relations, dates of meetings with government officials and issues discussed, travel, accommodation, meals and entertainment expenses. However, the underlying substance and intent behind the activities logged is the key to this analysis.**

7.2 Donations, Stock Options and Pensionable Bonus

7.2.1 Donations

PNG forecasts a 2012 donation expense of $25,000. PNG submits that its forecast 2012 donation costs are a normal corporate expense and should be recovered from ratepayers. (Exhibit B-1, Tab Application, p. 13) PNG contends that denying recovery of donation costs from ratepayers will prevent PNG from earning its approved return on common equity. Furthermore, PNG submits that the approved return on common equity has not been set or adjusted for an ongoing disallowance of normal business expenses that benefit both customers and shareholders. (Exhibit B-9, BCUC 1.26.1)

BCOAPO states that PNG has not convincingly made the case to deviate from past Commission decisions, where donation expenses have been shared equally between the shareholder and the ratepayer. (BCOAPO Final Argument, para 23, p. 6) BCOAPO notes that the 20-28 percent premium paid by AltaGas, in its recent purchase of PNG, included goodwill that was to the benefit of PNG shareholders and not ratepayers. Given that donations and community spending contribute to goodwill, BCOAPO submits that the costs should be shared and supports the 50/50 allocation. (BCOAPO Final Argument, para 21, p. 5) In particular, BCOAPO notes the FortisBC Energy Utilities (FEU) 2012-13 RRA Decision with respect to the Olympic Cauldron, including Commissioner Rhodes' dissenting opinion on the matter. (BCOAPO Final Argument, para. 23, p. 6)

PNG notes the precedents that support BCOAPO's position, but states that BCOAPO has failed to address the fact that disallowances of PNG's prudently incurred normal course business expenses reduced the opportunity for PNG to earn its approved rate of return. (PNG Reply Argument, para. 6, p. 2)

Commission Determination

The Panel believes that donations, just like any other expense, ought to be strategically considered, and consistent with an organization's core business. The Panel wishes to encourage good corporate citizenship and social responsibility; however, PNG is in a regulated industry and must consider its expenses in relation to the ratepayer. This consideration is part of a prudently incurred expense, for a regulated utility. Consequently, PNG ought to have donations and social expenses that are not indiscriminate, but are in fact strategic, with a goal in mind of supporting ratepayers. Although the Panel finds an equal sharing to be somewhat simplistic, the Panel notes that this is supported by BCOAPO and is consistent with previous Commission decisions. This equal allocation encourages PNG to think prudently, strategically, and from a ratepayer perspective when determining which causes to support. **The Panel determines that PNG may only include 50 percent of its 2012 donation budget as an expense to be recovered from ratepayers.**

In terms of PNG's concerns respecting denial of the opportunity to earn a fair, reasonable and just rate of return, the Panel looks to the policy behind determining an appropriate return. The investment risk is considered when determining an appropriate return. The 2009 Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc. Return on Equity and Capital Structure Decision (2009 ROE Decision), defines the investment risk to a benchmark low-risk utility as the sum of business risk, financial risk and regulatory risk. Regulatory risks are those that might arise from regulatory lag, from disallowed operating or capital costs or from punitive awards. (2009 ROE Decision, p. 18) Given that PNG's approved rate of return is based on the benchmark low-risk utility, PNG's approved return on common equity includes the risk of disallowance of business expenses (regulatory risk).

Furthermore, the Panel concurs with BCOAPO's view that the premium paid by AltaGas in its recent purchase of PNG includes goodwill that was to the benefit of PNG shareholders and not ratepayers. Previously, the Commission Panel in the FEU 2012-2013 RRA Decision concluded that goodwill is for the benefit of the shareholder. It follows that if donation expenditures supports goodwill, there is concern about allocating donation costs between the shareholder and the ratepayer. (BCOAPO Argument, pp. 4-5) However, the Commission Panel recognizes that there are community benefits to donations that indirectly support ratepayers.

7.2.2 Stock Option and Pensionable Executive Bonus

PNG seeks Commission approval to recover stock option benefits and the cost of including executive bonuses in pensionable benefits, from the ratepayer. AltaGas intends to commence charging PNG for options of AltaGas' shares granted to PNG employees. (Exhibit B-9, BCUC 1.27.1) PNG suggests that this policy is consistently applied to other AltaGas subsidiaries. PNG considers the $120,000 stock option expense a normal course business expense and proposes to recover the cost from ratepayers in 2012. (Exhibit B-1, Tab Application, p. 13; Exhibit B-3, p. 5)

PNG is also of the view that bonuses should be included in the pensionable earnings of PNG's executives and the cost recovered from ratepayers. (Exhibit B-1, Tab Application p. 13) The forecast 2012 pension expense related to bonuses and incentives for executives are $113,000.

(Exhibit B-9, BCUC 1.22.1) Furthermore, PNG suggests that there is no evidence to support the notion that PNG's executive bonuses are imprudent. (Exhibit B-9, BCUC 1.27.1)

PNG believes that if it is denied recovery of the stock option benefit expense and the cost of including bonuses in the pensionable earnings of PNG's executives, its rates will be "insufficient to yield a fair and reasonable compensation for the service provided by the utility." (Exhibit B-9, BCUC 1.27.1) As a result, PNG considers that it will be unable to earn its approved return on common equity.

Regarding the stock option plan, BCOAPO has concerns with respect to the possible future re-pricing of options as per BCOAPO 2.5.1, if the Commission determines that any associated expenses are to be recoverable from ratepayers. (Exhibit B-11, BCOAPO 2.5.1) If these costs are not recoverable from ratepayers, BCOAPO's related concerns vanish. (BCOAPO Final Argument, p. 5, para. 22) With respect to the treatment of donations, stock option expense, and pension expense on bonuses, BCOAPO considers deviations from the Commission's past decisions unwarranted. (BCOAPO Final Argument, p. 6, para. 23)

Commission Determination

Shareholders in North America are concerned with executive salary, bonus, and stock option benefits, as evidenced by the entire "say on pay" movement. This concern becomes much larger in a regulated industry. For an expense to be borne by a ratepayer, it ought to be just. Justifiable expenses are supported by clear and unequivocal evidence that they are in the best interest of the ratepayer.

The Commission notes that ratepayers should only pay for those costs that are related to the nature and quality of service provided by PNG. Given that PNG does not have a formal document for the 2012 PNG executive incentive/bonus plan and the corporate performance goals are not directly linked to providing future benefits to customers, the Commission is not persuaded that the entire cost of including bonuses in the pensionable earnings of PNG's executives should be recovered from customers. (Exhibit B-10, BCUC 2.120.1) In keeping with previous Commission decisions, **the Panel approves the inclusion of only one-third of the executive bonuses in pensionable earnings.** (Order G-55-07, p. 16) If PNG wishes to apply for the inclusion of executive bonus amounts in its next Revenue Requirements Application, the Panel directs PNG to provide appropriate evidence to support the inclusion of any executive bonus, in the context of this decision, and the boundaries set by the *Utilities Commission Act*.

The Commission Panel acknowledges that stock option costs are an expense for financial reporting purposes. However, the Commission Panel does not accept that such non-cash, non-tax deductible costs should be included in PNG's revenue requirements. In accordance with past practice, **the Commission denies recovery of the 2012 applied for stock option expense.**

The Panel is not convinced that the Applicant has evidenced a causal link between stock options and bonuses, on the one hand, and the rates or quality of service experienced by PNG's ratepayers, on the other hand.

As noted previously in this decision, PNG's approved return on common equity compensates for its risk, which includes regulatory risk.

7.3 AltaGas Service Charges to PNG

As of December 20, 2011, all of PNG's outstanding common shares are owned by AltaGas. Further, on February 27, 2012, PNG redeemed all of its outstanding preferred shares. As a result, 100 percent of PNG's equity capital is supplied by AltaGas. (Exhibit B-3, p. 6)

As a result of AltaGas's purchase of PNG, the Application reflected cost reductions due to PNG no longer being a reporting company, and cost increases allocated from AltaGas to PNG. PNG anticipates a decrease of $592,732 in administrative and general expenses in 2012. Because PNG is no longer a public reporting company, certain expenses disappear from its books. These include: external directors fees and expenses, shareholder related expenses such as transfer agent service fees, annual report production, TSX listing fees, and other investor related fees and expenses. PNG also expects to incur lower special services fees from external auditors, internal auditors and corporate secretary services due to reduced external reporting requirements. (Exhibit B-3, pp. 5-7)

PNG continues to finance its debt directly from third parties through a combination of bank operating facilities, bank term debt facilities and secured debentures. (Exhibit B-3, p. 6)

AltaGas has allocated costs for access to equity markets to PNG based on the following methodology:

1. Total AltaGas 2012 forecast costs for access to debt and equity markets are summarized in [A];
2. Total AltaGas 2012 forecast costs for access to debt and equity markets are allocated to PNG based on a composite allocator [B];
3. PNG does not rely on AltaGas for its access to debt markets; therefore the allocated cost to PNG is reduced to only the equity component of PNG's regulated capital structure [C].

Table 7-1 – Allocation of Access to Debt and Equity Market Costs - 2012

Total AltaGas Costs for Access to Debt and Equity Markets	**Allocation to PNG Based on Composite Allocator**	**Weighted Average Regulatory Equity for PNG**
	4.79%	46%
18,358,000	878,989	404,335
[A]	[B]	[C]

(Exhibit B-3, Tab Application, p. 6)

AltaGas's composite allocator is the simple average of three quotients that are calculated as follows:

1. PNG's total assets in dollars divided by the dollar sum of the total assets of AltaGas;
2. PNG's revenues in dollars divided by the dollar sum of the total revenues of AltaGas; and
3. PNG's capital expenditures in dollars divided by the dollar sum of the total capital expenditures of AltaGas.

The AltaGas services charge to PNG of $404,335 is reflected in the 2012 forecast cost of service. (Exhibit B-3, p. 6)

The impact of the Company becoming a private company is a net reduction of administrative and general expenses of $188,397 (i.e. cost reductions of $592,732 less AltaGas services charge of $404,335). (Exhibit B-3, pp. 6-7)

Another methodology for allocating corporate services costs is the Massachusetts Formula. The Massachusetts Formula is composed of the arithmetical average of: (1) operating revenue; (2) payroll; and (3) average net book value of tangible capital assets plus inventories. The use of these factors represents the total activity of all business segments as a means to allocate costs that cannot be directly assigned. PNG was asked to calculate the allocation factor that would result if the Massachusetts Formula were to be used as a cost allocator and PNG calculated it to be 9.29 percent or $1,705,086. (Exhibit B-9, BCUC 1.20.1)

PNG has been allocated 2.20 percent of the pool of costs of $18,358,000 and was also asked to further break down its service charges of $404,335 from AltaGas. They are as follows:

Table 7-2 - Allocation of AltaGas Charges to PNG

	Financial Reporting, Tax and Treasury	Legal and Investor Relations	Corporate Resources & IT	Executive and Strategy	Board of Directors	TOTAL
Parent	$7,286,000	$1,758,000	$3,523,000	$5,018,000	$773,000	$18,358,000
PNG's Allocation	$160,474	$38,719	$77,594	$110,521	$17,025	**$404,335**

(Exhibit B-10, BCUC 2.112.1)

PNG stated that it:

> "… is no longer a stand-alone Company and therefore is unable to source these services on a stand- alone basis. If it were a stand-alone Company, the costs would be expected to remain in line with PNG's historical costs of providing these services, or about $623,000 annually." (Exhibit B-10, BCUC 2.112.1)

PNG also provided extracts from a recent Decision of the Alberta Utilities Commission (AUC) regarding Inter-affiliate costs charged by AltaGas Utility Group Inc. (AUGI) to AltaGas. The AUC was critical of a KPMG report used by AUGI/AltaGas to support the Inter-affiliate charges and of the AUGI CEO's compensation. Further, the AUC made no determination as to the validity of the composite allocator since it was based on a direction of AUGI's Board and had not been reviewed by KPMG. The AUC also criticized AltaGas for not presenting evidence on the market value of the services provided, which the AUC considers to be the maximum charge that could be accepted for each service. (Exhibit B-10, BCUC 2.112.2)

Commission Determination

The Panel accepts the 2012 forecast AltaGas service charges to PNG at this time, since they are less than if PNG was a stand-alone company, and less than that calculated by the Massachusetts formula. However, **the Panel directs PNG to file with the Commission evidence similar to and consistent with that directed by the AUC at the same time as AltaGas files that information with the AUC**. The Panel is specifically interested in objective evidence of the market value of the services provided.

7.4 Transfers to Capital

PNG requests approval to calculate transfers to capital in accordance with the capital overhead allocation methodology approved under the 2011 NSA, as amended for refinements to the methodology as noted. (Exhibit B-9, BCUC 1.1.1) Item 24 of the 2011 NSA accepted the overhead capitalization rates recommended 2010 Overhead Capitalization Study. In addition, PNG agreed to apply the same capitalization overhead rates for rate setting purposes as it does for external financial reporting purposes once International Financial Reporting Standards (IFRS) are adopted. (Order G-92-11, Appendix A, p. 6)

PNG forecast 2012 transfers to capital at $981,000 and updated the forecast to $921,000 on March 15, 2012. PNG states that the reduction in the 2012 forecast transfers to capital is primarily due to updated loading factors. The original loading factors were based on inflated 2011 costs, whereas the updated loading factors are based on actual anticipated costs for 2012. In addition, Administrative and General Transfers to capital were affected by reduction in anticipated time spent on capital projects at the executive level due to the decision to eliminate the position of V.P. Operations and Engineering. (Exhibit B-3, p. 7)

PNG used the capital overhead allocation methodology approved under the 2011 NSA to calculate the transfers of budgeted 2012 operating, administrative and general expenses to capital in the Application. PNG also confirms that it is using the same capitalization overhead rates for both rate setting purposes and for external reporting purposes. The Application also notes that the benefits loading associated with field personnel were included under “Transfers to Capital – Operating Expenses” in 2011 NSA are included “Transfers to Capital – Administrative and General Expenses” for 2012, as all employee benefits are included under BCUC Account 725 Employee Benefits. (Exhibit B-1, Tab Application, p. 15)

Commission Determination

Given that PNG has used the capital overhead allocation methodology approved under the 2011 NSA**, the Commission Panel approves PNG's requests to calculate transfers to capital in accordance with the capital overhead allocation methodology approved under the 2011 NSA, as amended for refinements to the methodology for 2012 as noted in the Application.**

7.5 Non-Regulated Business

7.5.1 Non-Regulated Business Code of Conduct and Transfer Pricing Policy

PNG was required to prepare a Code of Conduct (COC) for Non-Regulated Businesses (NRB) and a Transfer Pricing Policy (TPP) for consideration in 2012, as provided for in section 22 of the 2011 NSA. (Exhibit B-1, Tab Application, p. 14) The Retail Market Downstream of the Utility Meter (RMDM) Guidelines have provided support to utilities for the development of COC and TPP filings.

PNG expects that it will no longer be involved with their current renewable power project NRB activities by mid-2012 as a result of AltaGas's power division taking on full management responsibility for these projects, resulting in a reduction in the forecast utility charges to NRB in 2012. (Exhibit B-3, p. 9; Exhibit B-9, BCUC 1.89.1) However, a TPP and COC are still required for possible future NRB activities and recovering the costs of activities, which are not done for the benefit of the ratepayer. (Exhibit B-9, BCUC 1.88.1; 1.96.1) Examples of such activities include business development activities, which are not related to the expansion and increased utilization of the PNG system. (Exhibit B-10, BCUC 2.99.3; 2.101.1.1)

Commission Determination

The Commission Panel approves of the Code of Conduct and Transfer Pricing Policy set forth under Tabs 6 and 7 **in the Application.** The Panel notes that PNG's COC and TPP filing are consistent with the RMDM guidelines.

7.5.2 Non-Regulated Business - Utility Charges- Deferral Account

PNG requests Commission approval of a new one-year interest bearing deferral account to record the difference between forecast and actual utility charges to non-regulated business in 2012. (Exhibit B-9, BCUC 1.1.1)

PNG states that the exact amount of the NRB activities for 2012 remains uncertain given the handover to AltaGas, and this is why PNG requires a one-year deferral account. (PNG Final Submission, p. 11) Due to the decision by AltaGas to assume primary responsibility for the renewable power projects that were being overseen by PNG's head office staff, the forecast number of hours to be expended by PNG utility staff on NRB activities in 2012 has decreased significantly. PNG expects that it will no longer be involved with NRB activities by mid-2012. (Exhibit B-3, p. 9)

Table 7-3 – NRB Activities

	Forecast	**Actual**	**Actual**
	2012	**2011**	**2010**
Employees Involved in NRB Activities	18	17	16
Hours on NRB Activities	2,148	4,296	3,641
NRB FTEs*	1.1	2.2	1.9
NRB FTEs / Employees Involved in NRB Activities	6%	13%	12%

*FTE's calculated based on 1,950 hrs per FTE

(Compiled from Exhibit B-9, BCUC 1.60.1)

Commission Determination

Due to the uncertainty regarding PNG's level of NRB activity in 2012, **the Commission Panel approves a one-year interest bearing deferral account to record the difference between forecast and actual utility charges to NRB in 2012.**

8.0 RATE BASE

8.1 2012 Forecast Capital Additions

This section reviews the 2012 forecast capital additions of $4.570 million. PNG has provided the following for its planned Capital Additions for 2012:

Table 8-1 – 2012 Capital Additions

Plant in Service Additions Account Details 2012

Major 2012 Capital Projects (larger than $50,000)	Budgeted Cost Excluding Overhead	Budgeted Cost Including Overhead	Plant in Service Account #
MP 245 Tunnel Rehabilitation	$364,000	$581,000	465
Paint Gitnadoix East Bridge	113,000	181,000	465
Unspecified mainline repairs	184,000	294,000	465
Building Improvements	68,000	68,000	482
Meter replacements	245,000	245,000	478
Replace Obsolete Actuators	145,000	232,000	466
Update mosaics with current air photos	72,000	115,000	465
New/replacement tools and equipment	162,000	162,000	486
Replace Obsolete RTU's	144,000	230,000	465
Services	126,000	201,000	473
Distribution main replacement	80,000	128,000	475
Replace Obsolete Handheld Data Devices	173,000	173,000	487
Mobile Equipment	396,000	396,000	484
Work Equipment	206,000	206,000	485
Cut-outs from ILI Digs	51,000	81,000	465
Other	579,000	852,000	
Total	**$3,108,000**	**$4,146,000**	

(Exhibit B-1, Tab Application, p. 35)

The $4.146 million of 2012 capital additions was increased to $4.21 million due to additional office furniture and computer expenditures of $60,787. PNG also forecast $0.36 million of 2010/2011 carryover projects which are forecast to be completed in 2012. This results in 2012 forecast capital additions of $4.57 million ($4.21 million + $0.36 million). (Exhibit B-9, BCUC 1.31.1, 1.31.2)

The forecast 2012 capital additions of $4.570 million is lower than the actual four-year average of $4.961 million and lower than the actual 2011 capital additions of $4.864 million but higher than 2011 approved forecast of $4.001 million. (Exhibit B-1, Tab Application, pp. 31 – 35; Exhibit B-3, Tab 2 p. 1; Exhibit B-10, BCUC 2.124.2)

Computer Equipment

PNG is proposing to spend $330,000 on Computer Equipment in 2012 which is over 200 percent greater than the actual computer equipment expense of $94,000 in 2011. (Exhibit B-1 Tab 2, p. 3; Exhibit B-3, Tab 2, p. 3)

Although perhaps immaterial in dollars, it is noted that the computer equipment purchase forecast includes $10,726 for laptop upgrades. (Exhibit B-9, p. 34; Exhibit B-9, BCUC 1.35.2.2) None of the existing laptops are fully depreciated and PNG provides no explanation of why the upgrades are required. (Exhibit B-9, BCUC 2.127; 2.127.2) Furthermore, PNG acknowledges that it does not have an ‘official’ computer replacement policy. If the cost to repair a piece of equipment were greater than the cost of a new system, PNG would replace it. When an individual requires an upgraded system, PNG will replace it and transfer the existing equipment to an individual with a system that is out-dated or in need of repairs. (Exhibit B-9, BCUC 1.35.2.1) Further, $176,381 of the computer equipment purchase forecast is to replace obsolete handheld data devices. (Exhibit B-9, BCUC 1.35.2.2)

Commission Determination

PNG is forecasting to spend 200 percent more on computer equipment in 2012 than it did in 2011; however, PNG has justified the scope, which appears to be reasonable therefore the Panel accepts PNG's 2012 Computer Equipment additions forecast; however, **PNG is directed to provide a formalized computer policy into evidence as part of its next Revenue Requirements Application.**

The Panel is satisfied with the scope of capital addition projects contemplated for 2012 and accepts PNG's forecast 2012 Capital Additions of $4.570 million. The Panel accepts the evidence that the PNG pipeline infrastructure traverses difficult terrain in some areas that are prone to erosion, washout and geological challenges.

8.2 Capital Additions Forecasting and Accuracy of Budget Control

Accuracy and Budget Control

In 2011 PNG spent $4,863,968 on capital additions (not including projects planned for 2011 that have been carried over to 2012). This actual amount exceeded the 2011 approved forecast amount of $4,001,000 (BCUC 2.124.2), resulting in a 20 percent budget variance. PNG incorrectly reported NSA budget for 2011 as $4,400,862 in its BCUC 1.29.1 response, corrected by BCUC 2.124.1. When asked how PNG controls capital project expenditures and what PNG considers to be an acceptable estimating tolerance, PNG responded that it does not add any contingency to its estimates and had no comment on what would be an acceptable variance between estimated and actual capital costs. (Exhibit B-10, BCUC 2.124.3.1) The Panel is concerned about an apparent lack of transparency and/or effort by PNG to control and track Capital Addition projects according to forecast and approved per regulatory proceedings.

In terms of budget control, the Panel acknowledges that not all projects are planned (some will be unexpected and non-discretionary and some will be opportunistic (efficient) but not forecast). However, for projects that are forecast, some degree of estimating accuracy and alternative analysis ought to be completed, particularly when projects are material in terms of forecast cost. Some attempt should be made to control costs to the approved forecast (regulatory) budget. This notion is a basic and fundamental part of project management and to the efficient regulatory review of planned capital expenditures.

Capital Additions Forecasting

The 2011 Revenue Requirements Application dealt with many issues, including the issues around forecasting for plant additions. Two specific concerns were raised in 2011 RRA Information Requests: the issue of transparency and fulsomeness of the information provided by PNG to the Commission; and the issue of forecast accuracy and capital project budget controls. These issues were raised again in this Application.

The Panel refers to section 60 of the Act which requires the Commission to encourage public utilities to set rates that encourage efficiency, cost reduction and enhanced performance.

As evidence of the parties concern for the issue of transparency in the context of Capital Additions Forecasting, the 2011 NSA provided that PNG would commit to filing the following information in the 2012 RRA:

- A schedule showing the forecast 2012 plant additions, by project, including overhead and excluding overhead allocation and the relevant plant in service account in the same format as the table provided in the 2011 RRA, Exhibit B-8, IR 1.22.3. (Order G-92-11, Appendix A, p. 29) PNG has complied with this request. (Exhibit B-1, Tab Application, p. 35)

- A schedule showing PNG's forecast plant additions in the prior year compared to actual additions including information on all material differences. The information will be in the same format as the table provided in 2011 RRA Exhibit B-8, IR 1.22.1. PNG did not provide this schedule in the 2012 Application. In response to a BCUC IR, where PNG was specifically asked to provide this table, PNG provided a summary table broken down by Transmission, Distribution and General only and not by capital project having a budget exceeding $50,000 as directed in the 2011 NSA. (Exhibit B-9, BCUC 1.29.0)

The Commission again requested a schedule of forecast plant additions compared to actual for 2011 broken down by project. (Exhibit B-10, BCUC 2.124.2) PNG did not comply with this request; however it is possible that PNG may have misinterpreted the IR and as a result did not provide a breakdown of the individual projects greater than $50,000. Without a project level breakdown it is difficult to evaluate performance, necessity and prudency on a project by project basis. Compounding the problem, projects are carried over from one year to the next, such as the addition of $369,750 from 2010 and 2011 "carryover" projects that were later added to the 2012 forecast Capital Additions. (Exhibit B-9, BCUC 1.31.2)

Commission Determination

The Panel insists that PNG provide more fulsome capital addition expenditure reporting to improve transparency on a project-by-project and year-by-year basis working with Commission staff to prepare such schedules for the next Revenue Requirements Application. PNG project and regulatory personnel should be tracking and controlling budgets in line with these accepted budgeted figures. **The Panel directs PNG to provide fulsome budget variance analysis in the context of its Capital Additions forecasting for 2012 in its next Revenue Requirement Application and to provide the schedules as directed in Order G-92-11, Appendix A, Item 24.**

8.3 Deferred Income Tax Draw Down

PNG requests approval to draw down $1,000,000 of deferred income taxes as a credit to the income tax component of the forecast 2012 cost of service. (Exhibit B-1, Tab Application, p. 61) This request is consistent with the 2011 NSA. (Exhibit B-1, Tab Application, p. 28)

The $1,000,000 of deferred income tax drawdown will reduce the 2012 taxes payable and thereby the 2012 cost of service. (Exhibit B-3, Tab 3, p. 1)

Commission Determination

The Commission Panel accepts PNG's proposal to draw down $1,000,000 of deferred income taxes as a credit to the income tax component of the forecast 2012 cost of service.

9.0 DEPRECIATION

This section deals with depreciation methodology, related deferral accounts, recovery of gains and losses, and accounting for negative salvage value.

9.1 Depreciation Policy and Depreciation Adjustment Deferral Account

Depreciation Policy

In its Application, PNG seeks approval to return to the historical methodology of recording depreciation on additions to plant and equipment commencing the year following when the addition was placed into service, as permitted under US GAAP.

In the 2011 NSA, the parties agreed to allow PNG to adopt a policy of commencing amortization in the period when an asset is put into use in order to comply with IFRS requirements. At that time, PNG had not applied to the Commission for the adoption of US GAAP and was in the process of preparing to adopt IFRS. (Order G-92-11)

However, in 2011, PNG did not adopt this policy for financial reporting purposes; instead it maintained its old policy to begin amortizing assets in the year following the placement into use which is in accordance with US GAAP. (Exhibit B-1, Tab Application, p. 23)

PNG received consent to adopt US GAAP instead of IFRS for regulatory and security reporting purposes for a three year period of 2012-2014 in Commission Order G-168-11. (Exhibit B-10, BCUC 2.133.1) Both methods of depreciation are acceptable for regulated utilities under US GAAP and under PNG's Canadian GAAP approach in 2011; however the 2011 approved method to commence depreciation in the period the asset was put in service is the only acceptable method under IFRS. (IFRS standards, IAS 16)

Depreciation Adjustment Deferral Account

PNG set the 2011 rates based on depreciation commencing in the period the assets were put in service. This policy was not applied for financial reporting accounting purposes, resulting in depreciation for reporting purposes that was $47,475 lower than the depreciation recovered in rates. In order to return the excess depreciation expense to ratepayers, PNG is also seeking approval of a new 2011 Depreciation Adjustment Credit deferral account. PNG is requesting to place the credit of $47,475 within this account, creating a process for a refund to ratepayers. PNG is requesting to fully amortize the balance of this account in 2012. (PNG Final Submission, p. 12; Exhibit B-1, Tab Application, p. 23)

Commission Determination

The Commission Panel notes that as IFRS was not adopted, PNG is not required to commence depreciation on additions at the time the assets are placed into service. Instead, as permitted under US GAAP, PNG can continue to amortize assets in the year following when additions are placed into service. The Commission previously approved such treatment and the Panel believes this methodology allows for more accurate forecasting. Therefore **the Commission Panel approves the request to commence depreciation in the following year an asset is placed into service,** as allowed under US GAAP and consistent with PNG's prior accounting practices. **The Commission Panel also approves PNG's request to establish a 2011 Depreciation Adjustment Credit deferral account to be fully amortized in 2012.**

9.2 Plant Gains and Losses Deferral Account

In the Application PNG is requesting:

- approval to recover the 2010 plant losses of $1,080,295 (updated from the NSA forecast of $927,585) in rates; (Exhibit B-1, Tab Application, p. 19)
- approval to add to the Plant Gains and Losses deferral account for future recover in rates the 2011 forecast plant losses of $264,000; and

- to amortize the Plant Gains and Losses deferral account over a ten year period. (Exhibit B-1, Tab Application, p. 20)

The decision will address each of the above noted requests individually and will then discuss the future reporting requirements and treatment of Plant Gain and Losses deferral account and negative salvage.

The Uniform System of Accounts Prescribed for Gas Utilities stipulates that there is no charge or credit to income from plant retirement or disposition. Any gains or losses, costs of removal and salvage values are charged to accumulated depreciation. (Exhibit B-9, BCUC 1.43.19) However, with Commission approval, the Uniform System of Accounts does allow for gains or losses, costs of removal and salvage values, including extraordinary plant losses, to be recorded in a deferral account. (Exhibit B-10, BCUC 2.130.1)

Prior to 2011 PNG had an approved rate base deferral account titled "Extraordinary Plant Losses" which recorded Extraordinary Plant Losses. At the beginning of 2011 the deferral account included five extraordinary losses going back as far as 2002. At the beginning of 2011 the most significant remaining loss was the Porpoise Harbour Repair Recovery which accounted for the 85 percent of the approximately $272,000 2011 Opening Balance. (2011 RRA, BCUC 1.37.1)

In 2011 as part of PNG's original 2011 RRA, PNG requested that the Extraordinary Plant Losses account's name be change to 'Plant Gains and Losses'. PNG also requested approval to record the undepreciated value of assets that were retired but not fully depreciated in the Plant Gains and Losses deferral account. Specifically PNG requested that $927,585 (later updated to $1,080,295) of 2010 additions be added to the Plant Gains and Losses deferral account. Approximately $153,000 was due to an extraordinary loss and the remaining balance was due to difference between the sum of the net book values (NBV) of the individual assets as compared against the NBV of the entire asset class, an adjustment required for the anticipated conversion to IFRS in 2012. (2011 RRA, Exhibit B-1, Tab Application, p. 23) PNG also requested a five year amortization for these additions.

When PNG filed updates to the 2011 RRA it withdrew its request to record the $927,585 of losses in the Gains and Losses deferral account and withdrew its application for a five years amortization period. (2011 RRA, Exhibit B-1-3, Tab Application, p. 5)

As part of the 2011 RRA Negotiations PNG restored its request to record the $927,585 balance in the deferral account. Per the 2011 NSA the parties agreed to PNG's restored request provided that no amortization could be taken in Test Year 2011 on these assets. Furthermore, the parties did not consider PNG's ability to recover the balance in a future period nor did they discuss whether the sum of the net book values of the individual assets as compared against the NBV of the entire asset class amounted to $927,585 as PNG stated in the Application. "The parties agreed that the recoverability, amortization period and dollar value of the deferral account will be addressed as part of PNG's next revenue requirements application." (Order G-92-11, 2011 NSA)

The forecast year end 2011 balance in this deferral account is $1,535,000.

9.2.1 Losses on Plant Assets - 2010

As part of the 2011 NSA, PNG was approved to place the balance of $927,585 (later updated to $1,080,295) in the Plant Gains and Losses deferral account but the parties did not consider PNG's ability to recover the balance in a future period nor did they discuss whether the sum of the NBV of the individual assets as compared against the NBV of the entire asset class amounted to $927,585 as PNG stated in the Application. The dollar value of the deferral account, the recoverability, and the amortization period are the subject of this Application. None of the $1,080,295 figure was recovered (amortized) in 2011. (Exhibit B-1, Tab Application, p. 19)

PNG indicates that these gains and losses occurred because the depreciation rate accorded to these assets was too low, as they did not correspond to the useful life of the assets. It is PNG's belief that had the useful life of the assets been determined correctly, these amounts would have been recovered through depreciation expense in prior years. PNG states that this has been corrected for new asset additions in these asset classes as per the Depreciation Study that was reviewed under the 2011 Revenue Requirements Application process. (Exhibit B-1, Tab Application, p. 20)

In the Application, PNG submits that the amounts are recoverable as they represent prudently incurred costs and is proposing to commence amortization on this account to allow PNG to recover these losses through rates. (Exhibit B-9, BCUC 1.40.2, 1.41.3)

Commission Determination

The Commission Panel finds that separating these items from the asset sub-ledger continues to be a transparent method to track gains and losses and is allowed under the Uniform System of Accounts. **The Commission Panel accepts that the $1,080,295 balance represents the difference between actual experience and estimates for depreciation rates and salvages values for 2010 and approves PNG's ability to recover the balance in rates.** The appropriate depreciation rate is discussed as a separate issue.

9.2.2 Losses On Plant Assets - 2011

PNG is requesting $264,000 of 2010 forecast plant losses for inclusion and ultimate recovery in the Plant Gains and Losses deferral account. (Exhibit B-1, Tab Application, p. 20)

The primary loss in 2011 relates to the Gitnadoix Tunnel 8" Pipe loss of $242,972. (Exhibit B-1, Tab Application, pp. 19-20) If the Commission were not to approve PNG's request the Commission's uniform system of accounts would require the assets to continue to be amortized over the average life of the asset class even though the asset is no longer in service.

Commission Determination

The Commission Panel finds that separating these items from the asset sub-ledger continues to be a transparent method to track gains and losses and is allowed under the Commission's uniform system of accounts. **The Commission Panel accepts PNG's request for the 2011 forecast losses of $264,000 to be added to the Gains and Losses deferral account for future recovery in rates.** The appropriate depreciation rate is discussed as a separate issue below.

9.2.3 Amortization Period

PNG is seeking Commission approval to amortize the balance in the Plant Gains and Losses deferral account over ten years (Exhibit B-1, Tab Application, p. 19), stating that this is the current approved amortization period for the extraordinary gains and losses also recorded in this account. (Exhibit B-9, BCUC 1.43.35)

PNG states that it initially proposed a five year amortization period for the Plant Gains and Losses deferral account in its 2011 Revenue Requirements Application in anticipation of IFRS and in an effort to minimize and simplify the number of deferral accounts and various differing amortization periods for its deferral accounts. In the current Application under US GAAP, it determined that it would be appropriate to amortize these Plant Gains and Losses over the same amortization period as existing Plant Gains and Losses deferral accounts. However, PNG states that it is amenable to a shorter amortization period. (Exhibit B-10, BCUC 2.129.1)

PNG further states that decreasing the amortization period from five years instead of ten years would result in an additional revenue requirement of $183,000 for 2012. (Exhibit B-10, BCUC 2.129.2)

Commission Determination

The Panel is concerned that a ten year amortization period may be excessive given that it represents assets that are no longer in service and there are no physical assets associated with the balance. The Panel does note that extraordinary losses which are also recorded in this deferral account have a ten year amortization period; however the Panel is also aware that PNG's financial circumstances are currently different and other factors that are no longer relevant may have been considered when the Commission approved a ten year amortization period. Given that PNG is amenable to a shorter amortization period and the rate impact is manageable, the Panel determines that reducing the amortization period from ten years, to five years, is more appropriate as this will contribute to maintaining manageable deferral account balances. Therefore **the Panel directs PNG to amortize the Plant Gains and Losses deferral account over five years** instead of PNG's proposed ten year period.

9.2.4 Future Reporting Requirements and Treatment

PNG seeks approval of the creation of a Plant Gains and Losses deferral account, to enable PNG to track more accurately its property, plant and equipment assets, instead of maintaining a balance in its plant accounts for assets that are no longer in existence. (Exhibit B-1, Tab Application, pp. 19-20) Both treatments are permitted under the Commission's uniform system of accounts.

In the Application, PNG states that the Plant Gains and Losses account is currently used to record:

- extraordinary plant losses; (Exhibit B-1, Tab Application, p. 19)
- gains and losses from the disposition of assets in the ordinary course of business; and (Exhibit B-1, Tab Application, p. 19)
- costs incurred when assets are taken out of service. (Exhibit B-9, BCUC 1.42.1)

PNG states that it has received Commission approval to record gains and losses in the deferral account pursuant to the May 20, 2011 Decision Order on the Negotiated Settlement Agreement section 6.0, which stated that the accounting changes requested by PNG in the 2011 Application with regard to plant, property and equipment, which are in accordance with Canadian GAAP, were accepted. PNG further states that this request was described in response to 2011 BCUC IR No. 2, Question 15.0 which specifically asked for approval to record gains and losses arising from de-recognition of assets in a regulatory deferral account. (Exhibit B-9, BCUC 1.43.40)

In the FEU 2012-2013 RRA, the Commission approved similar treatment for the recovery of losses on assets not fully amortized at the end of their service life. (FEU 2012-2013 RRA Decision, pp. 87-88)

Commission Determination

The Panel approves the creation of a Plant Gains and Losses Deferral Account, to report gains and losses in a transparent manner and to use this deferral account to track these items. This is easier than the alternative of having any gains or losses, costs of removal and salvage values being charged to accumulated depreciation. Further this preferred practice is consistent with other utilities regulated by the Commission.

However, **in future Revenue Requirement Applications PNG is directed to provide an assessment of each new addition to the Plant Gains and Losses deferral account in order for the Commission to determine the cause of the gain/loss and to allow the Commission to evaluate PNG's current depreciation rates. Any requested addition must be allocated between extraordinary plant losses, gains/losses on ordinary disposal, costs incurred when assets are taken out of service and any salvage value; further, PNG is to track the balance in the account based on these components and clearly disclose this information in its future Revenue Requirements Applications.**

9.3 Negative Salvage Accounting

PNG does not currently record a provision for negative salvage accounting. In the 2011 PNG Negotiated Settlement Agreement, PNG obtained Commission approval to continue to record depreciation without a provision for estimated cost to ultimately retire assets currently in use. In public utility accounting, this cost is often referred to as 'negative salvage' value. PNG, like many utilities, prefers to record actual costs of removal at the time incurred. This treatment was consistent with practices of other utilities regulated by the Commission at the time and is one allowable method under the Commission's Uniform System of Accounts, the current uniform system of accounts in British Columbia.

Ideally, the cost of retiring an asset would be matched to time periods, and therefore, matched to ratepayers, that receive the benefit of such assets. Negative salvage accounting does not necessarily ensure recovery of asset retirement costs from the same ratepayers that benefited from the use of the assets. However, setting up an account to record the provision for asset retirement, would only record an estimate. Due to the challenge of estimating asset retirement cost, the Applicant's proposal is a more precise way to make measurement of such items.

In 2012, in Commission Order G-44-12, the Commission approved the use of negative salvage accounting for FEU as that utility was able to estimate such asset retirement provisions and to allow ratepayers receiving service from the assets to pay costs related to the use of those assets, including the final costs of removing them from service once their estimated useful life has ended. This method of accounting is also allowable under the current uniform system of accounts in British Columbia.

Accounting for negative salvage provisions for regulated utilities is allowable under PNG's current accounting standards, US GAAP; however, no provision is required by those standards. This accounting practice was also allowable under old Canadian GAAP and may be allowable under IFRS, however, not all accounting firms share this opinion.

The determination of an appropriate negative salvage provision requires the opinion of a depreciation expert, evidenced by his or her report to the Utility. PNG did not seek such information in its last depreciation report from Gannet Fleming, its third party expert. (PNG 2011 RRA, Depreciation Study)

Commission Determination

In PNG's next Revenue Requirements Application, it should provide an analysis of the potential use of negative salvage accounting. Also, in PNG's next depreciation study, the depreciation expert should be engaged to provide depreciation rates as well as negative salvage provision rates for each asset class. These two items should be presented separately from each other and the basis for the determination of negative salvage rates should be disclosed.

10.0 DEFERRAL ACCOUNTS

10.1 IFRS/US GAAP Deferral Account

PNG is requesting approval to amortize the 2011 year-end balance in the joint IFRS/US GAAP Conversion Cost deferral account over three-years ended in 2014. (Exhibit B-9, BCUC 1.1.1)

Section 4 of the 2011 NSA directed PNG to seek approval for the amortization period and recoverability of the IFRS deferral account and to address the disposition of the previously incurred IFRS conversion costs as part of the 2012 RRA. (Exhibit B-1, Tab Application, p. 21) In the Application, PNG seeks approval to amortize the 2011 year-end balance in the joint IFRS/US GAAP conversion cost deferral account over a three-year period ended in 2014. Consistent with PNG's US GAAP application, approved by Commission Order G-168-11, total conversion costs expected to be incurred by PNG Consolidated in 2011 are $250,000 and 2012 are $150,000. These amounts have been included as additions to the deferral account in their respective years and allocated to each of PNG and PNG (N.E.) based on rate base. (Exhibit B-1, Tab Application, p. 21; PNG Final Submission, p. 1, section 1) PNG considers three years to be appropriate given this is the initial period of time over which PNG will initially apply US GAAP pending further review in 2015. (Exhibit B-1, Tab Application, p. 21)

PNG has received Commission approval to adopt US GAAP for the same three-year period ended 2014 from both the Commission and Canadian Securities Regulators. (Exhibit B-10, BCUC 2.133.1)

Commission Determination

Given the consistency between the requested amortization period and the period of adoption of the new accounting standards, **the Commission Panel approves the request to amortize the joint IFRS/US GAAP Conversion Cost deferral account over a three-year period, beginning in 2012.**

10.2 Amortization of West Fraser Mills Contract Termination Payment

Pursuant to Order G-92-11 the Commission approved PNG's proposal to record the West Fraser Mills contract termination payment in an interest bearing deferral account and to amortize the payment in equal monthly amounts as a credit to the cost of service over the 37-month period from December 1, 2010 to December 31, 2013. In the current Application PNG is requesting confirmation for the 2012 West Fraser Mills amortization expense approved in Order G-92-11. (2011 NSA)

The Commission Panel acknowledges the continuation of the amortization relating to the West Fraser Mills contract termination payment over the December 2011 to December 2013 period as a credit to the cost of service, which is consistent with Order G-92-11. (2011 NSA)

10.3 Fully Amortized Deferral Accounts

PNG provided evidence that both the CAP/ROE Hearing Costs and the Old Revolving Debt Issue Costs deferral accounts were fully amortized in 2011. (Exhibit B-9, BCUC 1.46.1; 1.47.1)

Commission Determination

The Commission Panel approves the elimination of the CAP/ROE Hearing Costs and the Old Revolving Debt Issue Costs deferral accounts, as they are fully amortized.

11.0 CAPITAL STRUCTURE AND RETURN ON CAPITAL

In 2012, PNG redeemed its preferred shares. In the Application PNG is requesting to recover in 2012 rates, a redemption premium of $200,000 and a $53,000 preferred share dividend. In addition, as a result of the preferred share redemption, PNG is requesting to raise the common equity thickness of its capital structure by 1.5 percent to 46.5 percent. (Exhibit B-3, pp. 11-12)

11.1 Redemption of Preferred Shares

On February 27, 2012 PNG redeemed its 6.75 percent preferred shares, with a face value of $5 million for $5.253 million which included the $5 million face value, accrued and unpaid dividends of $53,000 and a redemption premium of $200,000 that was in accordance with the terms of the preferred shares. PNG is requesting to recover the $53,000 unpaid dividend and the $200,000 redemption premium in rates in 2012. (Exhibit B-3, p. 11)

The preferred shares that were redeemed by PNG were perpetual with a fixed cumulative dividend and was payable only upon declaration by PNG's Board of Directors and had always been considered shareholders' equity. PNG had consulted the credit rating agency Dominion Bond Rating Service (DBRS). DBRS indicated that the redemption in and of itself would not be reason for a rating downgrade. (Exhibit B-9, BCUC 1.62.1-.2)

PNG made the decision to redeem the preferred shares so that it would no longer be a reporting issuer. The estimated savings from third party fees such as TSX listing, various securities commission, and transfer agent service are estimated at $122,000 per year. (Exhibit B-9, BCUC 1.62.1)

According to PNG, the cost of capital without redemption of preferred shares will be $11,624,000 compared to the cost of capital with the redemption of preferred shares of $11,484,000, or a total savings of $140,000. (Exhibit B-8, BCOAPO 1.2.1; Exhibit B-9, BCUC 1.63.5.1) The $140,000 savings is a combination of a decrease in revenue requirement of $17,050 as well as savings of $122,000 from PNG no longer being a reporting issuer. (Exhibit B-10, BCUC 2.132.2.1)

BCOAPO contends that the cost savings in reporting issuer costs of approximately $122,000 per year is the only reason for redeeming the shares. It accepts that redeeming the preferred shares makes sense and has no issue with the recovery of $200,000 premium but is not convinced that the $53,000 in dividends paid by PNG to preferred shareholders is recoverable from ratepayers. It notes that the Application (Exhibit B-1, Tab Application, p. 3) had included $351,000 per year as the cost of capital associated with the preferred shares and therefore it is not clear as to why any additional amount in respect of dividends should be recoverable. (BCOAPO Submission, paras. 11-13)

In PNG's Reply Argument, PNG responded to BCOAPO's concerns with respect to the return on capital on the preferred shares. PNG explains that the $53,000 of preferred share dividends that PNG paid, and is requesting recovery of, was due to the shareholders for the period January 1, 2012, up to the redemption date of February 27, 2012 in accordance with the terms of the preferred shares. The $351,000 preferred shares cost of capital for 2012 was updated to $253,000 (Exhibit B-3, p. 2, line preferred share) which includes a $53,000 dividend for the outstanding period in 2012 plus the $200,000 redemption premium. PNG submits that it is appropriate to recover both the return on capital for the preferred shares for the period they were outstanding in 2012 as well as the one-time preferred share redemption premium. (PNG Reply Submission, p. 1)

Commission Determination

The Commission Panel approves of the Applicant's request to recover in 2012 rates the redemption premium of $200,000 as the amount was paid by PNG in accordance with the terms of the preferred shares. **The Panel also approves the accrued dividends of $53,000 for recovery in 2012 cost of service.** In its final submission BCOAPO expressed concerns with PNG recovering the $53,000 accrued dividend stating that it has already included $351,000 in the cost of capital associated with the preferred share in its cost of service calculation for 2012. However, the Panel agrees with PNG's explanation provided in its Reply Argument that the $351,000 cost of capital associated with the preferred shares was subsequently reduced (Exhibit B-3, p. 2), to include only the preferred share dividend for the period the shares were outstanding in 2012.

11.2 Capital Structure

PNG proposes to change its capital structure to reflect the impact of the redemption of the preferred shares on February 27, 2012. Specifically PNG asks for a 1.5 percent increase in the common equity component of rate base capitalization to 46.5 percent. (Exhibit B-3, p. 12)

The currently approved and the 2012 requested return on common equity is summarized in the following Table.

Table 11-1 - PNG Common Equity and ROE

	Approved	**2012 Requested**
Allowed ROE	10.15%	10.15%
Common Equity Thickness	**45%**	**46.5%**
Preferred Shares('000s)	$5,000	$779
Deemed Common Equity ('000s)	$58,864	$61,189
ROE ('000s)	$5,975	$6,211

(Compiled from Exhibit B-1, Tab Application, p. 29; Exhibit B-3, p. 11; Exhibit B-3, p. 1; Exhibit B-9, BCUC 62.5)

For the purposes of PNG's debt rating, the rating agency gave the preferred shares 70 percent equity treatment and 30 percent debt treatment. PNG calculated that neutralized impact of preferred share redemption would be a deemed common equity percentage of 2.66 percent (3.8% *70%). PNG proposes to replace the preferred share capital with a 1.5 percent (3.8%*40%) increase in common equity component of rate base capitalization and with the remainder of the replacement capitalization being additional debt. PNG believes that this proposal strikes an appropriate balance between its customers' interest and the need to maintain PNG's financial integrity. (Exhibit B-9, BCUC 1.62.1; 1.62.3)

BCOAPO submits that it has some reservations about the way in which the 1.5 percent increase in common equity ratio is characterized as a determination of capital structure. It is of the view that the increase in common equity is an effect of the proposed option for replacing the preferred shares and that no cost of capital evidence has been considered in this Application. BCOPO urges the Commission to qualify the acceptance to the change in capital structure. (BCOAPO Submission, paras. 16-17)

Commission Determination

The Commission Panel does not approve the Applicant's proposed change to its 2012 capital structure, through raising the common equity component of the rate base by 1.5 percent to 46.5 percent from the 45 percent that was approved in Order G-84-10**.** The Panel expects that the appropriate capital structure and return on equity are being reviewed in the Generic Cost of Capital proceeding. However, the Panel does allow PNG to record the revenue requirement effect of its proposed increase in common equity from 45 percent to 46.5 percent, effective February 28, 2012, in a non-rate base deferral account attracting interest at the weighted average cost of debt. The disposition of this deferral account should occur in the next RRA, following the issuance of the Generic Cost of Capital decision.

12.0 PENSIONS AND OTHER NON-PENSION POST RETIREMENT BENEFITS

PNG presented the 'Non-Pension Post Retirement Benefits and Pension Plan' portion of the Application on a consolidated basis combining the requests and balances for both PNG and its wholly owned subsidiary PNG (N.E.) (collectively referred to as PNG Consolidated). To be consistent with the presentation of the Pension and Other Non-Pension Post Retirement Benefits, this segment of the Application is being addressed on a consolidated basis in the Decision. (Exhibit B-1, Tab Application, p. 38)

PNG Consolidated provides both pension and other non-pension post-retirement benefits (NPPRB) to most employees.

In the Application PNG Consolidated is requesting the following accounting changes, respecting NPPRB and Pension benefits, for approval in 2012: (Exhibit B-9, BCUC 1.1)

- Approval to recognize a regulatory asset equal to the unamortized NPPRB transition obligation at the end of 2011 and approval to fully amortize the regulatory asset on January 1, 2012 with a concurrent equal and offsetting amortization of its regulatory deferred income tax liability;
- Approval to recognize a regulatory asset equal to the historical unrecovered NPPRB expense and approval to fully amortize the regulatory asset on January 1, 2012 with a concurrent equal and offsetting amortization of its regulatory deferred income tax liability;
- Approval to wind-up the Retirement Compensation Arrangement (RCA) with the Canada Revenue Agency, waive the requirement to contribute additional funds to the RCA commencing in 2012 and commence the use of the RCA trust fund to pay the cash costs of retiree NPPRB in 2013;
- Approval to recognize the after-tax credit to rate base equal to the average amount of after-tax funds recovered in rated for NPPRB expense in excess to the amount contributed to the RCA trust, refundable tax account or paid for retirees' benefits: and
- Approval to recognize the after-tax pension asset in rate base.

The following sections contain individual discussions and determinations for each of the NPPRB and Pension requests.

12.1 Non Pension Post Retirement Benefits

Non Pension Post Retirement Benefits History

Prior to 2004, PNG Consolidated recovered in rates the actual NPPRB paid. By year-end 2003, the consolidated unfunded liability of the PNG Consolidated NPPRB plan was $4.7 million. In response to the growing accrued obligation, PNG Consolidated requested, and the Commission approved, commencing in 2004 the recovery of both the actual payments of the NPPRB and the current service costs of the accrual accounting[1] NPPRB expense. (Exhibit B-1, Tab Application, p. 36)

At the end of 2010, the PNG Consolidated NPPRB plan deficit was $5.4 million. (Exhibit B-1, Tab Application, p. 36) In 2011 PNG Consolidated applied, and the Commission approved, the recovery in rates of the full NPPRB expense (current service cost, interest cost, expected return on plan asset, amortization of transitional obligation, and amortization of net actuarial loss). (Exhibit B-1, Tab Application, p. 37)

12.1.1 NPPRB - Unamortized Transitional Liability

PNG Consolidated is requesting Commission approval to recognize a regulatory asset equal to the unamortized transitional liability in order to offset the retained earning adjustment. PNG Consolidated also proposes that rather than increasing rates to collect the liability ($861 thousand consolidated) that it fully amortizes this regulatory asset on January 1, 2012 with a concurrent equal and offsetting amortization of its regulatory deferred income tax liability. (Exhibit B-1, Tab Application, p. 37)

At December 31, 2011, PNG had a consolidated NPPRB unamortized transitional liability of $861,000.[2] The transitional liability came about in 2002 when the full accrual accounting for NPPRB

[1] In 2011 the following components make up PNG's full accrual accounting pension expense for financial reporting: Current service cost, interest cost, expected return on plan asset, amortization of transitional obligation, and amortization of net actuarial loss.

[2] $861,000 unamortized transitional liability is $646,000 net of FIT with $511,000 belonging to PNG-West and the remaining balance to PNG (N.E.). (Exhibit B-1, Tab Application, p. 38)

expense was required under Canadian GAAP. The rule specified that NPPRB obligations, which had arisen as a result of services that were provided by employees prior to that date, would be amortized into NPPRB expense over the next 17 years. (Exhibit B-10, BCUC 2.122.1) The NPPRB transitional liability is a non-cash item. (Exhibit B-9, BCUC 1.70.1)

The 2011 approval for PNG Consolidated to recover the full accrual NPPRB expense included the recovery through amortization of the unamortized transitional liability.

On January 1, 2012, PNG Consolidated converted to US GAAP as approved by the Commission pursuant to Order G-168-11. The US adopted full accrual accounting for NPPRB in 1995 (7 years earlier) with an identical 17 amortization schedule. Given that by 2012 the 17 years had passed, companies under US GAAP no longer carry a transitional liability balance. Because PNG Consolidated is no longer able to amortize the transitional liability as a component of NPPRB under US GAAP as was done in 2011, PNG Consolidated is required upon conversion to US GAAP to debit retained earnings by an amount equal to the unamortized transitional liability. (Exhibit B-1, Tab Application, p. 57)

Commission Determination

The Panel acknowledges that the adjustment to retained earnings is necessary to adopt US GAAP as approved by the Commission in Order G-168-11. Further, the unamortized transitional liability represents an expense which PNG Consolidated was entitled to recover from ratepayers prior to the transition to US GAAP, as it is a component of NPPRB expense approved for recovery in 2011. Therefore **the Panel approves the request to establish a regulatory asset equal to the NPPRB unamortized transitional liability for recovery in rates.**

PNG Consolidated had the NPPRB transitional liability (off balance sheet) since 2004 earning no return. Given that the unamortized transitional liability is a non-cash item that has not previously earned a return it would not be appropriate for PNG Consolidated to earn a return on the unamortized balance. As such, **the Commission directs PNG to put the regulatory asset equal to the NPPRB unamortized transitional liability in a non-interest bearing deferral account.**

The deferred income tax liability balance, if not fully amortize the transitional liability would be a credit to rate base and reduce PNG Consolidated's earned return, thereby benefiting ratepayers. If the Panel were to approve PNG Consolidated's request to fully amortize the transitional liability with the deferred income tax liability balance, ratepayers would lose the rate base credit benefit that is currently available to them. Given that PNG Consolidated was not earning a return on the unamortized transitional liability balance, it does not appear to be appropriate to offset this balance with a deferred income tax liability that is providing a rate base credit benefit to ratepayers; therefore **the Panel does not approve the request to fully amortize the NPPRB unamortized transitional liability regulatory asset on January 1, 2012 with a concurrent equal and offsetting amortization of its regulatory deferred income tax liability.**

The Commission Panel directs that the non-interest bearing NPPRB unamortized transitional liability deferral account is to be amortized into rates over the same period (remaining 7 years) over which those expenses would have been amortized under the Canadian GAAP rules that previously applied to PNG Consolidated as suggested by PNG in response to BCUC 2.122.4. (Exhibit B-10, BCUC 2.122.4)

The Panel wishes to note that in 2011, the amortization of the transitional liability was a part of the NPPRB expense that PNG Consolidated recovered in rates; therefore, all else being equal, adding the amortization at the same rate as in 2011 would not increase rates. However, the Panel is aware that the proposed treatment is reflected in the 2012 cost of service, and the Panel's decision will impact 2012 rates.

12.1.2 NPPRB – Net Unfunded Liability

PNG Consolidated proposes to fully amortize the net unfunded liability associated with the NPPRB plan in the same manner as proposed for the unamortized transitional liability with a concurrent equal and offsetting amortization of its regulatory deferred income tax liability on January 1, 2012. (Exhibit B-1, Tab Application, p. 37)

Effective January 1, 2009, the Canadian Accounting Standards Board (AcSB) removed the temporary exemption providing relief to entities subject to rate regulation from the general requirement regarding recognition and measurement of assets and liabilities arising from rate regulation. To comply with this change in the accounting standard in 2009, PNG Consolidated recognized the full liability related to its NPPRB plan expense, with the offsetting entry made to establish a regulatory asset. (Exhibit B-1, Tab Application, p. 36)

PNG Consolidated also identified "historic difference between cash and actuarial determined basis" as a significant difference as a result of the US GAAP conversion of NPPRB in the Application as follows:

> "Up to 2011, PNG recovery through rates of its non-pension plan was on a cash basis and not the full actuarial determined amount with a resulting difference of $2.5 million. Accordingly, under CGAAP, PNG has recognized a regulatory asset of $2.5 million. PNG proposes to record this $2.5 million in a deferral account and immediately amortize it during 2012 by offsetting the impact of this amortization through a drawdown of the deferred income tax balance." (Exhibit B-1, Tab Application, p. 57)

The consolidated regulatory asset as of January 1, 2012 is $1.873 million net of Future Income Taxes (FIT) ($2.496 – FIT $.624). (Exhibit B-1, Tab Application, p. 38)

Commission Determination

At this time the Panel does not approve the request to establish a deferral account to amortize the net unfunded liability associated with NPPRB, as insufficient evidence has been put forward to support PNG Consolidated's position that it is entitled to recover this regulatory asset in rates. The dollar value of the requested recovery is more than double PNG's entire revenue deficiency in 2012 and is material to PNG's ratepayers. The full rate impact in 2012 is neutralized by PNG Consolidated's proposal to fully amortize the balance through a concurrent equal and offsetting amortization of its regulatory deferred income tax liability. Had this account not existed the rate impact of fully recovering the balance in 2012 would have been very significant.

From the evidence put forward it appears that this regulatory asset has existed since 2009 and up until 2012 had no impact on rates given that it is a regulatory asset used to offset a liability that arose due to an accounting change. The Panel fails to see how the balance that PNG Consolidated is requesting deferral account treatment, and immediate recovery of, are a result of PNG Consolidated's conversion to US GAAP.

12.1.3 NPPRB – Retirement Compensation Arrangement Windup

When the Commission approved the ability for PNG Consolidated to recover in rates NPPRB current pension costs in addition to the actual payment of NPPRB in 2004 it was conditional on PNG Consolidated creating a trust structure into which the current service costs portion of the NPPRB expense recovered in rates was to be deposited. The Commission required the trust structure in order to ensure that when the cash outlays were required in the future PNG Consolidated would have the cash funds readily available. PNG Consolidated requested Commission relief from this condition since the only structure available was a Canada Revenue Agency (CRA) approved RCA trust. The Commission denied PNG Consolidated's request and the NPPRB RCA trust was created. (Exhibit B-1, Tab Application, p. 36)

As a result PNG Consolidated is required to make payment to the RCA for the NPPRB that exceeds actual NPPRB cash expenditures. Under the terms of the RCA, for every dollar contributed to the RCA requires that PNG Consolidated make an equal contribution to a refundable tax account (RTA), which earns no interest or other return. The cash contributed for the RTA, like the cash contributed to the RCA, have already been collected from customers. (Exhibit B-9, BCUC 1.44.3-4)

In the future, when payments for actual NPPRB expenditures are made from the RCA, the refundable tax will also be released. The cost of such retiree non-pension benefits will not be recovered in rates as those funds will have previously been recovered from customers.
(Exhibit B-9, BCUC 1.44.4)

The RCA trust account has a forecast balance of $681,000 at December 31, 2011 with a similar amount being credited in the RTA. (Exhibit B-1, Tab Application, p. 37)

PNG Consolidated 2012 Request

PNG Consolidated is proposing to commence winding up the RCA account because the return on NPPRB funds under the RCA trust structure is significantly less than the effective return which can be earned by PNG Consolidated's customers when cumulative after tax funds collected provide a credit to the Company's rate base. PNG Consolidated suggests that the wind up will provide ratepayers with a lower revenue requirement. (Exhibit B-1, Tab Application, p. 40)

Beneficiaries of the RCA trust are PNG Consolidated's retirees and funds withdrawn from the trust can only be used to purchase benefits for retirees. As a result an immediate wind up of the RCA trust is not possible, therefore PNG Consolidated is proposing that it does not contribute any NPPRB expense to the RCA trust in 2012 and commencing in 2013 that it use the RCA trust funds (with matching withdrawals from the refundable tax account) to pay the cash costs of retiree NPPRB. (Exhibit B-1, Tab Application, p. 40)

According to PNG Consolidated had this treatment been approved in 2011 the revenue requirement would have been reduced by $13,000. (Exhibit B-9, BCUC 1.44.12)

Financial Position

Historically PNG Consolidated has been required to make special contribution to its Pension Plan in accordance with legal requirements due to its solvency ratio being below the triggering threshold. With PNG Consolidated's change of ownership, by AltaGas in late 2011, PNG states that the financial circumstances of the company have changed only in its access to capital markets. (Exhibit B-9, BCUC 1.44.11) PNG states that support from AltaGas regarding liquidity would be very dependent on the nature of cause of the liquidity problem. (Exhibit B-10, BCUC 2.121.2)

Commission Determination

Given that PNG Consolidated has only recently undergone a change in ownership which offers potential, but unproven, financial stability and liquidity, the Commission Panel is not convinced that lifting the requirements of the RCA is warranted at this time. Therefore **the Panel denies PNG Consolidated's application to: wind up the RCA, waive the requirement to contribute additional funds to the RCA starting in 2012, and use the RCA to pay cash costs of the NPPRB starting in 2013.**

The Panel emphasizes that RCA trust structure was set up by the Commission to ensure that PNG Consolidated had cash readily available to pay NPPRB as required. Historically PNG Consolidated's solvency ratio has been such that it has been required to make special contribution to its Pension Plan.

PNG Consolidated stated that the RCA trust structure earns significantly less than the effective return which can be earned by PNG Consolidated's customers if it were to be wound up; however, PNG Consolidated submits that financial benefit to ratepayers in 2011 would have only been $13,000, if the proposed wind up had occurred last year. (Exhibit B-9, BCUC 1.44.12) At this time the Panel does not consider the incremental reduction in the revenue requirement is sufficient to offset the increased risk that PNG Consolidated will not have low costs capital available to pay cash NPPRB when the time is due.

12.1.4 NPPRB Plans Funding Difference Rate Base Addition

PNG Consolidated is requesting that the after-tax amount of the non-cash expense (i.e. the NPPRB expense recovered in excess of the 2012 cash cost of retiree non-pension benefits) be recognized as credit to rate base. (Exhibit B-1, Tab Application, p. 40)

This sought treatment will allow for the recognition of PNG Consolidated's after tax credit to rate base equal to the average amount of the after-tax fund recovered in rates for the NPPRB expense in excess of the amounts contributed to the RCA/RTA and benefits paid.

While the proposed treatment results in a non-cash adjustment to record the balance (Exhibit B-9, BCUC 1.70.1), PNG Consolidated submits that the amount represents cash contributions made in the past by PNG Consolidated to the pension account, net of any tax impact, which have not yet been collected from ratepayers. (Exhibit B-9, BCUC 1.44.14)

PNG Consolidated submits that, in the past for administrative simplicity, these amounts were excluded from rate base due to their relatively small value that bounced between asset and liability status. However, as the amounts grew, PNG Consolidated indicates that they sought to change the treatment in the 2011 revenue requirements proceeding. (Exhibit B-9, BCUC 1.44.19) This request was ultimately excluded from the 2011 revenue requirements settlement agreement. (Exhibit B-9, BCUC 1.44.20)

PNG Consolidated submits that its request is consistent with the treatment approved by the Commission to other Utilities including FEU. (Exhibit B-9, BCUC 1.44.17-18)

PNG Consolidated requests results in a $2.166 million credit (reduction) to rate base.
(Exhibit B-1-3, Tab Application, Tab 2, p. 1)

Commission Determination

Prior to 2004 PNG Consolidated was only recovering the cash payments to NPPRB. Between 2004 and 2010 PNG Consolidated was recovering the current service costs in addition to the cash payments to NPPRB and in 2011 PNG Consolidated started to recover the full accrual accounting pension expense in addition to the cash payments to the NPPRB. To further complicate that, PNG Consolidated has been making contributions to the RCA/RTA since 2004. In addition PNG Consolidated converted from Canadian GAAP to US GAAP in 2012 for a three-year period and may transition to IFRS in 2015.

Given the changing methods of recovery for NPPRB and the changing landscape of pension standards that PNG Consolidated has/will be reporting under, the Panel is not satisfied that PNG Consolidated has put forward sufficient evidence for the Commission to determine, and track in the future, the NPPRB expense recovered in excess of the cash cost of retiree non-pension benefits; therefore **the Panel denies PNG Consolidated's request to recognize an after-tax credit to rate base equal to the average amount of after-tax funds recovered in rates for NPPRB expense in excess to the amount contributed to the RCA trust, refundable tax account or paid for retirees' benefits.**

Further, PNG Consolidated has also requested (as discussed above) to recover in 2012 a $2.5 million difference that resulted because the non-pension plan was on a cash basis and not the full actuarial determined amount prior to 2011. The Panel is not satisfied that PNG Consolidated has provided a sufficient explanation on how that requested recovery affects the credit balance that PNG Consolidated is requesting be recorded in rate base.

12.2 Pension

12.2.1 Pension - Funding in Excess of Expense Rate Base Addition

PNG Consolidated seeks approval in the Application to have the Company's after-tax pension asset recognized in rate base. PNG Consolidated is of the view that Pension Asset should be accorded equal rate base treatment as the NPPRB plans funding difference. (Exhibit B-1, Tab Application, p. 41)

At December 31, 2010, the Company recognized a pension asset, gross of related future income taxes, on its balance sheet of $2.5 million on a consolidated basis with this asset expected to be at $3.4 million at the end of 2011. This amount represents the funding contributed to its pension plan, as required by legislation, in excess of the actuarially determined expense of its pension plan. As is considered appropriate by the Company, the actuarially determined expense has been recovered in rates. However, the plan contributions, in excess of the expense, have been funded by the Company with no compensation. (Exhibit B-1, Tab Application, p. 41)

The net impact for the applied for NPPRB credit ($2.166 million) and the Pension asset ($2.016 million) for PNG-West is a reduction in rate base of $150,000. (Exhibit B-3-1, Tab Application, Tab 2, p. 1, Lines 15, 16) Net Impact for the applied for PNG (N.E.) NPPRB credit is an increase in rate base of $96,000 ($89,000 for FSJ/DC and $7,000 for TR). [2012 PNG (N.E.) RRA, Exhibit B-3, lines 18-19; Exhibit B-4, lines 17-18]

Commission Determination

The Panel agrees that the same treatment should be afforded to the Pension and the NPPRB and therefore given the uncertainty around the NPPRB and the Panel's resulting decision to deny PNG Consolidated's application to include the NPPRB balance in rate base, **the Panel does not approve PNG Consolidated's request to have the pension asset included in rate base at this time.**

In addition, the Panel is not confident that the pension asset reported in the Application is entirely accurate. PNG Consolidated made errors in the original application when calculating the pension asset with explanations and updates provided in response to IR No. 1. Further PNG Consolidated has not provided sufficient evidence to ensure that the 2/3 executive pension adjustments are not reflected in the pension asset.

The Panel has denied the above-noted 2012 Pension and NPPRB requests from PNG. **If PNG wishes to reapply to the Commission for recovery in rates in 2013 for any of the Pension/NPPRB items already addressed in this Application, or any other Pension/NPPRB items, PNG is to file a separate comprehensive Pension Application, describing all of PNG's Pension/NPPRB components, in order for the Commission to review PNG's Pension accounting and rate recovery strategy in its entirety.**

13.0 US GAAP

Pursuant to Order G-168-11 dated October 6, 2011, PNG received Commission approval to use US GAAP for regulatory accounting and reporting purposes for the period January 1, 2012 to December 31, 2014.

Directly relating to the US GAAP conversion PNG is requesting certain treatments which are addressed in the following sections of the Decision:

Table 13-1 US GAAP

Item	Addressed in the Decision
Non Pension Employee Benefits - Historic Difference Between Cash and Actuarial	PENSION AND OTHER NON-PENSION POST RETIREMENT BENEFITS – Non Pension Post Retirement Benefits
Non Pension Employee Benefits – Unamortized Transitional Liability Costs to Adopt US GAAP and IFRS	PENSION AND OTHER NON-PENSION POST RETIREMENT BENEFITS – Non Pension Post Retirement Benefits
Costs to Adopt US GAAP and IFRS	DEFERRAL ACCOUNTS – IFRS/US GAAP Deferral Account
Depreciation Calculation and Associated Regularly Account	DEPRECIATION – Depreciation Policy and Depreciation Adjustment Deferral Account
Rate Stabilization Adjustment Mechanism (RSAM) Amortization Period	SALES VOLUMES FORECASTS – Residential and Commercial - RSAM Amortization
Reconciliation of Canadian GAAP and US GAAP for2012	US GAAP – US GAAP Reporting Requirements

13.1 US GAAP Reporting Requirements

In its Application, PNG seeks relief from filing further period reconciliations between 2011 Canadian GAAP [Part V of the Canadian Institute of Chartered Accountants (CICA) Handbook] and US GAAP, as ordered by the Commission in Order G-168-11, approving PNG's adoption of US GAAP for regulatory purposes. PNG submits there are no significant differences between the two accounting standards and that it would need to incur additional actuarial costs of between $5,000 and $10,000 to calculate certain pension and pension related amounts. (Exhibit B-1, Tab Application, p. 59) PNG indicates that no simplified reconciliation can be performed as it lacks the in-house expertise to make such a calculation. (Exhibit B-9, BCUC 1.72.1)

Commission Determination

The Commission Panel notes that the condition to produce the reconciliation was a component of the approval for PNG to adopt US GAAP. Therefore, the Panel believes that cost of approximately $5,000-$10,000 to produce the reconciliation is a cost of the US GAAP adoption, and should be incurred if necessary to comply with this directive. Therefore, **the Panel does not approve the request to eliminate the reconciliations between 2011 Canadian GAAP (Part V of the CICA Handbook) and US GAAP as directed by Order G-168-11.**

14.0 SUMMARY OF COMMISSION DECISION AND DETERMINATIONS

This Summary is provided for the convenience of readers. The content of this directive list is not inclusive of all decisions and determinations made throughout the reasons for decision. Where directives are listed below, additional context may be provided through the reasons for decision. Where any discrepancy or confusion may arise due to lack of context, the determinations made within the reasons for decision shall prevail.

No.	Directive	Page
1.	The Commission Panel accepts PNG's 2012 forecast weighted average residential customer count of 17,776 customers, and acknowledges that this is an update to PNG's 2011 Resource Plan. The Commission Panel also accepts the forecast use per account of 66.5 GJ	8
2.	The Commission Panel accepts PNG's Small Commercial 2012 forecast of 2,503 customers as filed.	9
3.	The Commission Panel accepts PNG's Small Commercial 2012 forecast of 309 GJ use per customer.	9
4.	The Commission Panel approves a one year amortization period for the 2011 year end RSAM balance.	10
5.	The Commission Panel accepts PNG's 2012 forecast of 8,426 GJ of propane deliveries to Granisle Residential customers.	11
6.	The Commission Panel accepts the 2012 deliveries forecast to the Other Core Market customers.	11
7.	The Commission Panel accepts the 2012 deliveries forecast to Small Industrial customers.	12
8.	The Commission Panel accepts the 2012 deliveries forecast to Large Industrial customers.	13
9.	The Commission Panel accepts the 2012 forecast cost of service related to Operating and Maintenance expenses.	16
10.	The Panel directs PNG to provide in its next Revenue Requirements Application a comparison of the 2012 expected and 2012 actual time PNG executives spent on the parent's regulatory and reporting requirements.	18
11.	The Commission Panel accepts the forecast expense of labour for executive pay for 2012.	19

12.	The Commission Panel directs PNG to provide a specific and more fulsome explanation of the government relations program and its benefits to ratepayers in its next Revenue Requirements Application. The explanation should include the time the V.P. Human Resources and Government Relations spends on government relations, dates of meetings with government officials and issues discussed, travel, accommodation, meals and entertainment expenses. However, the underlying substance and intent behind the activities logged is the key to this analysis.	19
13.	The Panel determines that PNG may only include 50 percent of its 2012 donation budget as an expense to be recovered from ratepayers.	20
14.	The Panel approves the inclusion of only one-third of the executive bonuses in pensionable earnings.	23
15.	The Commission denies recovery of the 2012 applied for stock option expense.	23
16.	The Panel accepts the 2012 forecast AltaGas service charges to PNG.	26
17.	The Panel directs PNG to file with the Commission evidence similar to and consistent with that directed by the AUC at the same time as AltaGas files that information with the AUC.	27
18.	The Commission Panel approves PNG's requests to calculate transfers to capital in accordance with the capital overhead allocation methodology approved under 2011 NSA, as amended for refinements to the methodology for 2012 as noted in the Application.	28
19.	The Commission Panel approves of the Code of Conduct and Transfer Pricing Policy set forth in the Application.	29
20.	The Commission Panel approves a one-year interest bearing deferral account to record the difference between forecast and actual utility charges to NRB in 2012.	30
21	PNG is directed to provide a formalized computer policy into evidence as part of its next Revenue Requirements Application.	33
22.	The Panel is satisfied with the scope of capital addition projects contemplated for 2012 and accepts PNG's forecast 2012 Capital Additions of $4.570 million**.**	33
23.	The Panel insists that PNG provide more fulsome capital addition expenditure reporting to improve transparency on a project-by-project and year-by-year basis working with Commission staff to prepare such schedules for the next Revenue Requirements Application.	35

24.	The Panel directs PNG to provide fulsome budget variance analysis in the context of its Capital Additions forecasting for 2012 in its next Revenue Requirement Application and to provide the schedules as directed in Order G-92-11, Appendix A, Item 24.	35
25.	The Commission Panel accepts PNG's proposal to draw down $1,000,000 of deferred income taxes as a credit to the income tax component of the forecast 2012 cost of service.	36
26.	The Commission Panel approves the request to commence depreciation in the following year an asset is placed into service.	38
27.	The Commission Panel also approves PNG's request to establish a 2011 Depreciation Adjustment Credit deferral account to be fully amortized in 2012.	38
28.	The Commission Panel accepts that the $1,080,295 balance represents the difference between actual experience and estimates for depreciation rates and salvages values for 2010 and approves PNG's ability to recover the balance in rates.	41
29.	The Commission Panel accepts PNG's request for the 2011 forecast losses of $264,000 to be added to the Gains and Losses deferral account for future recovery in rates.	42
30.	The Panel directs PNG to amortize the Plant Gains and Losses deferral account over five years.	43
31.	The Panel approves the creation of a Plant Gains and Losses Deferral Account, to report gains and losses in a transparent manner and to use this deferral account to track these items.	44
32.	In future Revenue Requirement Applications PNG is directed to provide an assessment of each new addition to the Plant Gains and Losses deferral account in order for the Commission to determine the cause of the gain/loss and to allow the Commission to evaluate PNG's current depreciation rates. Any requested addition must be allocated between extraordinary plant losses, gains/losses on ordinary disposal, costs incurred when assets are taken out of service and any salvage value; further, PNG is to track the balance in the account based on these components and clearly disclose this information in its future Revenue Requirements Applications.	44
33.	In PNG's next Revenue Requirements Application, it should provide an analysis of the potential use of negative salvage accounting. Also, in PNG's next depreciation study, the depreciation expert should be engaged to provide depreciation rates as well as negative salvage provision rates for each asset class. These two items should be presented separately from each other and the basis for the determination of negative salvage rates should be disclosed.	46

34.	The Commission Panel approves the request to amortize the joint IFRS/US GAAP Conversion Cost deferral account over a three-year period, beginning in 2012.	47
35.	The Commission Panel approves the elimination of the CAP/ROE Hearing Costs and the Old Revolving Debt Issue Costs deferral accounts.	48
36.	The Commission Panel approves of the Applicant's request to recover in 2012 rates the redemption premium of $200,000.	50
37.	The Panel also approves the accrued dividends of $53,000 for recovery in 2012 cost of service.	50
38.	The Commission Panel does not approve the Applicant's proposed change to its 2012 capital structure, through raising the common equity component of the rate base by 1.5 percent to 46.5 percent from the 45 percent.	52
39.	The Panel approves the request to establish a regulatory asset equal to the NPPRB unamortized transitional liability for recovery in rates.	55
40.	The Commission directs PNG to put the regulatory asset equal to the NPPRB unamortized transitional liability in a non-interest bearing deferral account.	56
41.	The Panel does not approve the request to fully amortize the NPPRB unamortized transitional liability regulatory asset on January 1, 2012 with a concurrent equal and offsetting amortization of its regulatory deferred income tax liability.	56
42.	The Commission Panel directs that the non-interest bearing NPPRB unamortized transitional liability deferral account is to be amortized into rates over the same period (remaining 7 years) over which those expenses would have been amortized under the Canadian GAAP rules that previously applied to PNG.	56
43.	At this time the Panel does not approve the request to establish a deferral account to amortize the net unfunded liability associated with NPPRB.	57
44.	The Panel denies PNG Consolidated's application to: wind up the RCA, waive the requirement to contribute additional funds to the RCA starting in 2012, and use the RCA to pay cash costs of the NPPRB starting in 2013.	60
45.	The Panel denies PNG Consolidated's request to recognize an after-tax credit to rate base equal to the average amount of after-tax funds recovered in rates for NPPRB expense in excess to the amount contributed to the RCA trust, refundable tax account or paid for retirees' benefits.	62
46.	The Panel does not approve PNG Consolidated's request to have the pension asset included in rate base at this time.	63

47.	If PNG wishes to reapply to the Commission for recovery in rates in 2013 for any of the Pension/NPPRB items already addressed in this Application, or any other Pension/NPPRB items, PNG is to file a separate comprehensive Pension Application, describing all of PNG's Pension/NPPRB components, in order for the Commission to review PNG's Pension accounting and rate recovery strategy in its entirety.	64
48	The Panel does not approve the request to eliminate the reconciliations between 2011 Canadian GAAP (Part V of the CICA Handbook) and US GAAP as directed by Order G-168-11.	66

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of September 2012.

Original signed by:

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C.A. BROWN
COMMISSIONER

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-130-12

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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 Ltd.
for Approval of its 2012 Revenue Requirements
for the PNG-West Service Area

BEFORE: C.A. Brown, Commissioner September 21, 2012

O R D E R

WHEREAS:

A. On November 30, 2011, Pacific Northern Gas Ltd. (PNG, the Applicant) filed, with the British Columbia Utilities Commission (Commission), its 2012 Revenue Requirements Application (RRA) to increase, among other things, delivery rates as a result of increases in the cost of service, partially offset by increased deliveries to some customer classes, pursuant to sections 58 to 61 of the *Utilities Commission Act* (the Act);

B. The Applicant, PNG, also sought refundable interim relief pursuant to sections 58 to 61, 89 and 90 of the Act, to allow PNG to amend its rates on an interim basis, effective January 1, 2012, pending the hearing of the Application and Orders subsequent to that hearing, on the basis that on January 1, 2012, PNG's rates would otherwise no longer be fair, just and not unduly discriminatory; Commission Order G-207-11 approved the refundable interim relief, respecting the delivery rates and the Rate Stabilization Adjustment Mechanism rider set forth in the Application, effective January 1, 2012. The Order also established a Preliminary Regulatory Timetable, a Workshop to review the issues in the Application, and invited Registered Interveners to make submissions regarding the appropriate and formal review process for the Application;

C. By letter dated January 4, 2012, the Commission proposed a draft regulatory timetable for the review of the Application and requested submissions regarding the draft regulatory timetable. In accordance with Commission Order G-207-11, a Workshop was held on January 12, 2012;

D. The Peace River Regional District (PRRD) and PNG submissions dated January 27, 2012 and January 31, 2012, supported a written hearing process for the review of the Application. The British Columbia Old Age

E. Pensioners' Organization *et al*. (BCOAPO) [recently changed to the British Columbia Pensioners' and Seniors' Organization] submission dated January 31, 2012, stated that a written process may be appropriate for the review of the Application, but it reserved the right to re-assess its position at the conclusion of the evidentiary stage. All Parties supported delaying the filing date of Information Request (IR) No. 1 until after PNG filed its updated Application;

F. On March 15, 2012, PNG filed an Updated Application which forecasts a revenue deficiency of $1.115 million (Updated Application and the RRA are collectively referred to as the "Application"), up from $0.886 million in the Application filed on November 30, 2011;

G. Commission Order G-13-12, established an Amended Regulatory Timetable for the review of the Application, that included a request for Intervener submissions regarding the format of the proceeding, following PNG's responses to the second round of IRs and a draft written argument schedule;

H. On May 18, 2012, the Commission received submissions from PNG, BCOAPO and the PRRD supporting a written hearing process for the review of the Application. Commission Order G-65-12 established a written hearing process for the review of the Application;

I. The Commission has considered the Application, the evidence and the written Arguments as set forth and discussed in the Decision issued concurrently with this Order.

NOW THEREFORE the Commission for the reasons stated in the Decision, orders as follows:

1. Pursuant to sections 59 to 61 of the Act:

   a. The Commission does not approve the 2012 revenue deficiency of approximately $1.115 million, as filed in the schedules accompanying PNG's Application.

   b. The Commission approves the recovery of the AltaGas Ltd. service charge to PNG for 2012 of $404,335 in the 2012 cost of service.

2. PNG is directed to resubmit its financial schedules incorporating all the adjustments as outlined in the Decision, within 30 days of this Order.

3. If the 2012 permanent rates are less than the interim rates, PNG is to refund to customers the difference in revenue with interest at the average prime rate of the principal bank with which PNG conducts its business. If the 2012 permanent rates exceed the interim rates, PNG is to reflect this difference in customer rates over the balance of 2012.

4. PNG will file, on a timely basis, amended Gas Tariff Rate Schedules in accordance with this Order.

…/3

5. PNG will inform all affected customers of the final rates by way of a customer notice.

6. PNG is directed to comply with all other directives in the Decision issued concurrently with this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of September 2012.

BY ORDER

Original signed by:

C.A. Brown
Commissioner

PNG's Liquefied Natural Gas (LNG) Projects in the Kitimat BC Region

<u>The Pacific Trail Pipelines Limited Partnership – Sale of Limited Partner Interest</u>

The Pacific Trail Pipelines Limited Partnership (PTP) is developing the Kitimat Summit Lake (KSL) Project, a proposed 463 kilometre natural gas pipeline from Summit Lake, B.C. to Kitimat, BC. The KSL Project would serve the planned Kitimat LNG export facility being developed by Apache Canada Ltd., EOG Resources and EnCana Corporation. On February 4, 2011, PNG entered into an agreement to sell its 50 percent interest in the PTP and the underlying KSL Project to Apache Canada and EOG Canada for a payment of $50 million. The transaction has two cash components, the first being a payment of $30 million that the Company received on March 2, 2011 upon closing, and the second being a payment of $20 million to be paid contingent on the purchasers making a decision to proceed with construction of the Kitimat LNG export facility. In October, 2011, the National Energy Board (NEB) approved an application by the purchasers for a 20-year LNG export license for this project. PNG suggests that the NEB's approval supports the likelihood that the project will proceed and the $20 million contingency payment will be payable to PNG (Exhibit B-6, p. 1; PNG Interim Report for Three and Nine Months Ended September 30, 2011, pp. 4-5)

<u>Potential Apache and EOG Service Agreement</u>

In connection with the sale of its interest in PTP, PNG agreed on the terms for a 20-year transportation agreement with each of Apache Canada and EOG Canada that would significantly increase the utilization of PNG's current pipeline if LNG Partners (see paragraph below) does not claim the capacity first. If the LNG Partners project does not proceed and the Kitimat LNG facility does proceed, PNG anticipates that Apache and EOG will request up to 50 MMcf/day of PNG's existing transmission line capacity. Service under the agreement would commence with commercialization of the Kitimat LNG facility, which is currently expected to occur in 2015. The transportation service agreements are subject to the approval by the Commission.

Further, PNG negotiated with Apache Canada and EOG Canada the principal terms of an operating and maintenance agreement under which the Company would operate the KSL Project pipeline.

This agreement will have an initial term of seven years with renewal provisions and will be subject to approval by the Commission. (Exhibit B-6, p. 2)

<u>LNG Partners Transportation Service Agreement (TSA)</u>

PNG believes there is potential to significantly increase utilization on its western system beyond the volumes proposed for the Kitimat LNG project based on the expectation there is room for, and there may be demand for more than one LNG export project or other natural gas related projects in the Company's service area. (Exhibit B-6, p. 3)

One such project included the LNG Partners' proposal to locate an LNG export facility near Kitimat. LNG Partners has a partnership arrangement with the Haisla First Nations located near the proposed LNG Facility. (Exhibit B-6, p. 1) In connection with this proposed project the Company and LNG Partners are parties to the Commission approved transportation service agreement (TSA) that provides LNG Partners with an option on firm transportation service capacity of 80 MMcf/day on the Company's transmission pipeline system expected to commence sometime after 2013.

PNG has received option fees of $6.5 million from LNG Partners to secure the exclusive option under the TSA until June 30, 2012, for gas transportation for an initial two-to-five-year term with a right to renew for three additional five-year terms. Under the terms of the contract, $5.5 million of the option fee will be credited to transportation service fees in the first year. If this option is exercised, it will put PNG transmission pipeline system in full capacity adding approximately $16 million of additional annual margin. (Exhibit B-6, p. 2)

If notice of commencement of service is given by LNG Partners under the TSA and service does not commence by January 1, 2015 then the TSA would terminate and PNG would retain all option fees. (Exhibit B-6, p. 2)

Excerpts of *Utilities Commission Act*

Discrimination in rates

59 (1) A public utility must not make, demand or receive

(a) an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia, or

(b) a rate that otherwise contravenes this Act, the regulations, orders of the commission or any other law.

(2) A public utility must not

(a) as to rate or service, subject any person or locality, or a particular description of traffic, to an undue prejudice or disadvantage, or

(b) extend to any person a form of agreement, a rule or a facility or privilege, unless the agreement, rule, facility or privilege is regularly and uniformly extended to all persons under substantially similar circumstances and conditions for service of the same description.

(3) The commission may, by regulation, declare the circumstances and conditions that are substantially similar for the purpose of subsection (2) (b).

(4) It is a question of fact, of which the commission is the sole judge,

(a) whether a rate is unjust or unreasonable,

(b) whether, in any case, there is undue discrimination, preference, prejudice or disadvantage in respect of a rate or service, or

(c) whether a service is offered or provided under substantially similar circumstances and conditions.

(5) In this section, a rate is "unjust" or "unreasonable" if the rate is

(a) more than a fair and reasonable charge for service of the nature and quality provided by the utility,

(b) insufficient to yield a fair and reasonable compensation for the service provided by the utility, or a fair and reasonable return on the appraised value of its property, or

(c) unjust and unreasonable for any other reason.

Setting of rates

60 (1) In setting a rate under this Act

(a) the commission must consider all matters that it considers proper and relevant affecting the rate,

(b) the commission must have due regard to the setting of a rate that

(i) is not unjust or unreasonable within the meaning of section 59,

(ii) provides to the public utility for which the rate is set a fair and reasonable return on any expenditure made by it to reduce energy demands, and

(iii) encourages public utilities to increase efficiency, reduce costs and enhance performance,

(b.1) the commission may use any mechanism, formula or other method of setting the rate that it considers advisable, and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period, and

(c) if the public utility provides more than one class of service, the commission must

(i) segregate the various kinds of service into distinct classes of service,

(ii) in setting a rate to be charged for the particular service provided, consider each distinct class of service as a self contained unit, and

(iii) set a rate for each unit that it considers to be just and reasonable for that unit, without regard to the rates set for any other unit.

(2) In setting a rate under this Act, the commission may take into account a distinct or special area served by a public utility with a view to ensuring, so far as the commission considers it advisable, that the rate applicable in each area is adequate to yield a fair and reasonable return on the appraised value of the plant or system of the public utility used, or prudently and reasonably acquired, for the purpose of providing the service in that special area.

(3) If the commission takes a special area into account under subsection (2), it must have regard to the special considerations applicable to an area that is sparsely settled or has other distinctive characteristics.

(4) For this section, the commission must exclude from the appraised value of the property of the public utility any franchise, licence, permit or concession obtained or held by the utility from a municipal or other public authority beyond the money, if any, paid to the municipality or public authority as consideration for that franchise, licence, permit or concession, together with necessary and reasonable expenses in procuring the franchise, licence, permit or concession.

LIST OF ACRONYMS

2009 ROE Decision	2009 Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc. Return on Equity and Capital Structure Decision
2011 RRA	PNG's 2011 Revenue Requirements Application
2012 RRA or the Application	2012 Revenue Requirements Application
AcSB	Canadian Accounting Standards Board
AltaGas	AltaGas Ltd.
AUC	Alberta Utilities Commission
AUGI	AltaGas Utility Group Inc.
BCOAPO	British Columbia Old Age Pensioners' Organization et al.
CAP/ROE	Capital Structure/Return on Equity Application
COC	Code of Conduct
CRA	Canada Revenue Agency
DBRS	Dominion Bond Rating Service
DC	Dawson Creek
FEU	FortisBC Energy Utilities
FIT	Future Income Taxes
FSJ	Fort St. John
FTE	full-time equivalent
IFRS	International Financial Reporting Standards
IRs	Information Requests
NBV	net book values
NPPRB	non-pension post-retirement benefits
NRB	Non-Regulated Business
NSA	Negotiated Settlement Agreement
O&M	Operating and Maintenance
PNG (N.E.)	Pacific Northern Gas (N.E.) Ltd.
PNG Consolidated	PNG and its wholly owned subsidiary PNG (N.E.) (collectively referred to as PNG Consolidated)

PNG, the Utility, the Company	Pacific Northern Gas Ltd.
PRRD	Peace River Regional District
RCA	Retirement Compensation Arrangement
RMDM	Retail Market Downstream of the Utility Meter
RSAM	Revenue Stabilization Adjustment Mechanism
RTA	refundable tax account
SQI	Service Quality Indicators
the 2012 RRA and the updates to the 2012 RRA are collectively referred to as the Application	PNG filed updates to the 2012 RRA
the Act	*Utilities Commission Act*
the Commission	British Columbia Utilities Commission
TPP	Transfer Pricing Policy
TR	Tumbler Ridge
TSX	Toronto Stock Exchange
UAF	Unaccounted for Gas
US GAAP	US Generally Accepted Accounting Principals
V.P.	Vice President

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

and

Pacific Northern Gas Ltd.
2012 Revenue Requirements Application

LIST OF EXHIBITS

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter and Order G-207-11 dated December 7, 2011 - Establishing a Preliminary Regulatory Timetable and Workshop
A-2	Letter dated January 4, 2012 – Request for comment and Draft Regulatory Timetable
A-3	Letter and Order G-13-12 dated February 7, 2012 – Amended Regulatory Timetable
A-4	Letter dated April 3, 2012 – Information Request No. 1 to PNG-West
A-5	Letter dated May 2, 2012 – Information Request No. 2 to PNG-West
A-6	**CONFIDENTIAL** Letter dated May 2, 2012 – CONFIDENTIAL Information Request No. 2 to PNG-West
A-7	Letter and Order G-65-12 dated May 23, 2012 – Issuing Revised Amended Regulatory Timetable
COMMISSION STAFF DOCUMENTS	
A2-1	Letter dated January 13, 2012 – Commission Staff filing Pacific Northern Gas Ltd. and AltaGas Ltd. News Release dated December 20, 2011 "AltaGas Closes Pacific Northern Gas Acquisition"
A2-2	Letter dated March 15, 2012 – Commission Staff filing Pacific Northern Gas Ltd. – 2011 Resource Plan for the PNG-West Pipeline System dated July 2011

Exhibit No.	Description
A2-3	Letter dated March 15, 2012 – Commission Staff filing British Columbia Utilities Commission – Order G-209-11_PNG-West 2011 Resource Plan effective December 9, 2011
A2-4	Letter dated April 17, 2012 - Commission Staff filing Vancouver Sun Newspaper Article Dated April 12, 2012 – Ottawa approves LNG export licence
A2-5	Letter dated April 26, 2012 – Commission Staff filing FortisBC Energy Utilities 2012-2013 Revenue Requirements Application – Decision - Donations
A2-6	Letter dated April 26, 2012 – Commission Staff filing FortisBC Energy Utilities 2012-2013 Revenue Requirements Application, Appendix B-2 – Pensionable Executive Bonus

APPLICANT DOCUMENTS PNG

B-1	**PACIFIC NORTHERN GAS LTD. (PNG)** Letter dated November 30, 2011 - 2012 Revenue Requirements Application
B-2	Letter dated January 31, 2012 – PNG Comments on Draft Regulatory Timetable
B-3	Letter dated March 15, 2012 – PNG Submitting Updates on Regulatory Schedules
B-3-1	Letter dated March 20, 2012 – PNG Submitting Updates on Regulatory Schedules Corrected pages
B-4	Letter dated March 23, 2012 – PNG Submitting System Line Map
B-5	Letter dated March 23, 2012 – PNG Submitting Organization Charts
B-6	Letter dated March 23, 2012 – PNG Submitting Summary of LNG Projects Kitimat, BC
B-7	Letter dated March 23, 2012 – PNG Submitting Customer Load Forecast Data
B-8	Letter received April 20, 2012 - PNG Submitting Response to BCOAPO IR No.1
B-9	Letter received April 20, 2012 - PNG Submitting Response to BCUC IR No.1
B-10	Letter dated May 16, 2012 - PNG Submitting Response to BCUC IR No.2

Exhibit No.	Description
B-11	Letter dated May 16, 2012 - PNG Submitting Response to BCOAPO IR No.2
B-12	Letter dated May 18, 2012 - PNG Submitting Comments on Proceeding Format

INTERVENER DOCUMENTS

C1-1	**PEACE RIVER REGIONAL DISTRICT (PRRD)** Letter dated December 15, 2011 – Request for Intervener Status by Carolyn MacEachern
C1-2	Letter dated January 27, 2012 – PRRD Submitting Comments on the Regulatory Process
C1-3	Letter dated May 18, 2012 - PRRD Submitting Comments on Proceeding Format
C2-1	**BRITISH COLUMBIA OLD AGE PENSIONERS ORGANIZATION ET AL (BCOAPO)** Letter dated January 9, 2012 – Request for Intervener Status by Eugene Kung
C2-2	Letter dated January 31, 2012 – BCOAPO Submitting Comments on the Regulatory Process
C2-3	Letter dated April 10, 2012 – BCOAPO Submitting Information Request No.1
C2-4	Letter dated May 2, 2012 - BCOAPO Submitting Information Request No. 2
C2-5	Letter dated May 18, 2012 - BCOAPO Submitting Comments on Proceeding Format