



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-3-09**

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

and

An Application by Pacific Northern Gas (N.E.) Ltd.
for a Certificate of Public Convenience and Necessity
for the Tomslake Gas Distribution System

BEFORE: L.F. Kelsey, Commissioner
D.A. Cote, Commissioner
P.A. Vivian, Commissioner

July 16, 2009

O R D E R

WHEREAS:

- A. On June 24, 2009 Pacific Northern Gas (N.E.) Ltd. ("PNG(N.E.)") applied (the "Application") to the British Columbia Utilities Commission (the "Commission"), pursuant to section 45 of the *Utilities Commission Act* (the "Act"), for a Certificate of Public Convenience and Necessity ("CPCN") for a gas distribution system to serve the community of Tomslake, British Columbia (the "Tomslake Gas Distribution System"); and
- B. Tomslake is a low density rural area located approximately 15 to 20 km south of Pouce Coupe and the Tomslake Gas Distribution System would initially serve approximately 250 residential and 6 small commercial customers; and
- C. PNG(N.E.) submitted in the Application that it was concerned that a number of the Tomslake customers would be unable to pay the up front per customer contribution of \$1,420 in addition to the service line costs and the costs to convert to gas appliances and therefore sought approval to provide potential Tomslake customers with the option of paying a \$10.00 monthly fixed fee over twenty years instead of the one time lump sum contribution; and
- D. The Tomslake Gas Distribution System would be included in PNG(N.E.)'s Fort St. John/Dawson Creek division and the Dawson Creek rate schedules would apply to the Tomslake customer base; and
- E. The project economics are marginal and quite sensitive to cost over runs and lower than forecast customer connections. The Commission has reviewed the Application and has determined that the Tomslake Gas Distribution System is in the public interest and that a CPCN be issued to PNG(N.E.) for the Tomslake Gas Distribution System, providing that PNG(N.E.) agrees to the required overall cost and customer connections conditions contained here-in.

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NOW THEREFORE pursuant to sections 45, 46 and 61(1) of the Utilities Commission Act, the Commission orders the following:

1. A Certificate of Public Convenience and Necessity is granted to PNG(N.E.) for the construction and operation of the Tomslake Gas Distribution System as applied for in the Application, subject to PNG (N.E.) providing written confirmation by August 4, 2009 that it accepts the following conditions:
 - i) If the final project cost is between 90 and 110 percent of the initial estimated cost (\$2,586,516) then the final cost will be allowed into the rate base unadjusted. If however the final cost is less than 90 percent or greater than 110 percent of the initial estimated cost, the savings or costs outside the +/- 10 percent "dead band" will be shared equally between the ratepayers and the PNG(N.E.) shareholders, and
 - ii) In the event that the final cost is less than 90 percent of the initial estimated cost then the benefit of the lower cost shall not be realized by PNG(N.E.) until at least 250 customers have been connected to the Tomslake Distribution System by the end of the third full calendar year that the system is in service, and
 - iii) PNG(N.E.) will file an annual report for each of the first four calendar years that the Tomslake Gas Distribution System is in service showing the number of customers connected, overall natural gas consumption and a comparison of margin revenue to the cost of providing service.
- 2 PNG(N.E.) shall file with the Commission a report within three months of the end of substantial completion of the Tomslake Gas Distribution System that provides a complete breakdown of the final costs of the Tomslake Gas Distribution System and provides an explanation and justification of any material cost variances.
- 3 The Commission approves the implementation of a fixed fee of \$10.00 per month to be applied to Tomslake customers who choose the option of paying the monthly fee instead of making an up front one time contribution of \$1,420 to obtain gas service through the new Tomslake Gas Distribution System to be installed by PNG(N.E.).
- 4 The Commission will accept, subject to timely filing, amended Gas Tariff Rate Schedules in accordance with this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of July 2009.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner