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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-183-08

TELEPHONE: (604) 660-4700  
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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.  
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)  
For Approval of its 2009 Revenue Requirements  
for PNG (N.E.) Service Area

**BEFORE:** L.A. O'Hara, Commissioner December 11, 2008

**O R D E R**

**WHEREAS:**

- A. On November 27, 2008, Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions filed for approval of its 2009 Revenue Requirements Application ("the Application"). PNG (N.E.) proposes to amend its rates on an interim and final basis, effective January 1, 2009, pursuant to Sections 89 and 58 of the Utilities Commission Act ("the Act"); and
- B. PNG (N.E.) FSJ/DC Division projects a revenue deficiency of \$167,000 for the 2009 test year. This revenue deficiency results from increases in the 2009 cost of service offset partially by higher forecast gas deliveries with corresponding higher revenues; and
- C. For the PNG (N.E.) FSJ/DC Division Test Year 2009, depreciation expense is higher by \$90,000 and a depreciation credit adjustment deferral account of \$294,000 was fully amortized in 2008 contributing to amortization expense increasing by \$167,000 in 2009 compared to 2008; and
- D. For the PNG (N.E.) FSJ/DC Division, the Application seeks approval of an overhead capitalization rate of 17.81 percent, subject to modification upon filing of the final 2009 revenue requirements application regulatory schedules; and
- E. For the PNG (N.E.) FSJ/DC Division, the Application seeks approval of the deferral accounts and amortization expenses for 2009 as set forth in under Tab 2, pages 8 and 9 with specific approval of a deferral account to record PNG (N.E.)'s costs incurred in 2008 and forecast to be incurred in 2009 and beyond to convert to International Financial Reporting Standards in 2011 with amortization to commence subsequent to 2009 based on a future application by PNG (N.E.); and

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- F. PNG (N.E.) FSJ/DC Division seeks approval to continue the unaccounted for gas volume deferral account to record the difference between forecast and actual unaccounted for gas ("UAF") volumes in Test Year 2009 based on using a 1 percent of deliveries UAF loss factor for 2009 and requiring PNG (N.E.) to apply for British Columbia Utilities Commission ("Commission") approval to record actual 2009 UAF losses above 1.5 percent in the deferral account; and
- G. The PNG (N.E.) TR Division projects a revenue deficiency of \$67,000 for the Test Year 2009. This revenue deficiency is primarily the result of increases in the 2009 cost of service partially offset by higher forecast gas deliveries with corresponding higher revenues; and
- H. For the PNG (N.E.) TR Division Test Year 2009, depreciation expense is higher by \$12,000 and a depreciation credit adjustment deferral account of \$80,000 was fully amortized in 2008 contributing to amortization expense increasing by \$48,000 in 2009 compared to 2008; and
- I. For the PNG (N.E.) TR Division, the Application seeks approval of an overhead capitalization rate of 3.92 percent, subject to modification upon filing of the final 2009 revenue requirements application regulatory schedules; and
- J. For the PNG (N.E.) TR Division, the Application proposes to record its incremental costs of adopting International Financial Reporting Standards ("IFRS") and to set up an IFRS deferral account as a rate base account. PNG (N.E.) is delaying commencement of amortization until 2010. The 2010 revenue requirements application will include a proposed amortization period for these costs. Also, the Application seeks approval to amortize of the Industrial Customer Deliveries Deferral account balance and the 2007 cost of service deferral account credit over two years commencing with 2009; and
- K. For the PNG (N.E.) TR Division, the Application seeks approval to continue the industrial customer transportation service deliveries deferral account in 2009; and
- L. For the PNG (N.E.) TR Division, the Application seeks approval to continue the unaccounted for gas volume deferral account to record the difference between forecast and actual UAF volumes in Test Year 2009 based on using a 0 percent of deliveries UAF loss factor for 2009 and requiring PNG (N.E.) to apply for Commission approval to record actual 2009 UAF losses above 1.0 percent in the deferral account; and
- M. The Application does not include any proposed changes to PNG (N.E.)'s capital structure or rate of return; and
- N. PNG (N.E.) considers a Negotiated Settlement Process ("NSP") would be the most efficient process for the review of the Application; and

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- O. The Commission considers that approving interim rates at the level sought under the Application effective January 1, 2009 and establishing a Regulatory Timetable for the registration of Intervenor and for the preliminary review of the Application, and to allow Intervenor to make written submissions on a formal review process, is necessary and in the public interest.

**NOW THEREFORE** pursuant to Section 89 of the Act, the Commission orders as follows:

1. The PNG (N.E.) 2009 Revenue Requirements Application Preliminary Regulatory Timetable for the PNG (N.E.) service area, attached as Appendix A, has been established.
2. The Commission approves for PNG (N.E.) the delivery rates set forth in the Application on an interim basis, effective January 1, 2009. Any differences between the 2009 interim and permanent delivery rates that are determined by the Commission following consideration of the Application are subject to refund/recovery, with interest at the average prime rate of PNG (N.E.)'s principal bank, in the manner as set out by a Commission Order that establishes permanent rates.
3. The Commission will accept, subject to timely filing by PNG (N.E.), amended Gas Tariff Rate Schedules in accordance with the terms of this Order. PNG (N.E.) is to provide notice of the interim rates to customers via a bill message, to be reviewed in advance by Commission Staff to confirm compliance with this Order.
4. The Application and supporting material will be made available for inspection at public libraries in Fort St. John, Dawson Creek, and Tumbler Ridge, and at the Head Office of PNG (N.E.) at Suite 950, 1185 West Georgia Street, Vancouver, B.C., V6E 4E6 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.
5. Intervenor and Interested Parties should register with the Commission, via the Commission's website or in writing, by Wednesday, January 14, 2009, of their intention to intervene. Intervenor are requested to make submissions with reasoning concerning the type of process (e.g. oral public hearing, written hearing or negotiated settlement process) and regulatory timetable they view as being appropriate for the review of the Application. The Commission will consider the comments received and will provide further direction concerning the appropriate process and regulatory timetable to review the Application.
6. PNG (N.E.) will publish, as soon as reasonably possible following the issuance of this Order but no later than the week ending January 4, 2009, in display-ad format, the Notice of Revenue Requirements Application, attached as Appendix B, in local news publications to provide adequate notice to the public in the PNG (N.E.) service area.

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**DATED** at the City of Vancouver, in the Province of British Columbia, this 11<sup>th</sup> day of December 2008.

BY ORDER

*Original signed by:*

L.A. O'Hara  
Commissioner

Attachments

Pacific Northern Gas (N.E.) Ltd.

Application for Approval of 2009 Revenue Requirements  
for PNG (N.E.) Service Area

**PRELIMINARY REGULATORY TIMETABLE**

<b>ACTION</b>	<b>DATES</b>
PNG (N.E.) filed 2009 Revenue Requirements Application	Thursday, November 27, 2008
PNG (N.E.) to publish Notice of Revenue Requirements Application	by Sunday, January 4, 2009
Intervenor Registration	Wednesday, January 14, 2009
Intervenor Comments regarding Regulatory Process	Wednesday, January 21, 2009
Commission Information Request No. 1	Wednesday, January 21, 2009
Commission Order setting out Regulatory Process	Wednesday, January 28, 2009
Intervenor Information Request No. 1	Wednesday, February 4, 2009
PNG (N.E.) Response to Commission and Intervenor IRs No. 1	Wednesday, February 18, 2009
Commission and Intervenor IR No. 2, if necessary	Wednesday, March 4, 2009
PNG (N.E.) Response to Commission and Intervenor IR No. 2	Friday, March 13, 2009
PNG (N.E.) files 2008 Year-End Update to the Application	Friday, March 13, 2009
Potential commencement date for Negotiated Settlement Process	Monday, March 23, 2009



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**NOTICE OF REVENUE REQUIREMENTS APPLICATION**

**THE APPLICATION**

On November 27, 2008, Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions filed its 2009 Revenue Requirements Application (the "Application") seeking approval of delivery rate increases on an interim and permanent basis pursuant to Sections 89 and 58 of the Utilities Commission Act (the "Act"), effective January 1, 2009.

For the FSJ/DC Division, the average delivery rate increase is estimated to be approximately \$7 per year for a typical residential customer consuming 119 gigajoules ("GJ") per year. This represents an increase of approximately 1.9 percent compared to October 2008 delivery rates. Similarly, an average small commercial customer consuming 595 GJ per year will pay approximately \$26 per year more for gas delivery service. This corresponds to an increase of approximately 2.0 percent compared to October 2008 delivery rates.

For the FSJ/DC Division, the British Columbia Utilities Commission ("Commission") approved the applied for delivery rates on an interim basis effective January 1, 2009 under Order G-183-08. Based on the gas cost recovery and GCVA rate riders, approved by the Commission under Order G-185-08 and the approved interim delivery rates, the overall average bundled rate decrease, for a typical residential customer consuming 119 GJ per year, is 7.0%, a decrease of \$96 per year and for a small commercial customer consuming 595 GJ per year, is 7.6%, a decrease of \$470 per year.

For the TR Division, the average delivery rate increase is estimated to be approximately \$32 per year for a typical residential customer consuming 81 GJ per year. This represents an increase of approximately 6.7 percent compared to October 2008 delivery rates. Similarly, an average small commercial customer consuming 647 GJ per year will pay approximately \$194 per year more for gas delivery service. This corresponds to an increase of approximately 6.8 percent compared to October 2008 delivery rates.

For the TR Division, the Commission approved the applied for delivery rates on an interim basis effective January 1, 2009 under Order G-183-08. Based on the gas cost recovery and GCVA rate riders, approved by the Commission under Order G-185-08 and the approved interim delivery rates, the overall average bundled rate decrease, for a typical residential customer consuming 81 GJ per year, is 5.0%, a decrease of \$48 per year and for a small commercial customer consuming 647 GJ per year, is 6.7%, a decrease of \$445 per year.

## **PUBLIC INSPECTION OF THE APPLICATION**

The Application and supporting material will be made available for inspection at public libraries in Fort St. John, Dawson Creek, and Tumbler Ridge, and at the Head Office of PNG (N.E.) at Suite 950, 1185 West Georgia Street, Vancouver, B.C., V6E 4E6 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.

The Application will also be available for viewing on the PNG website at [www.png.ca](http://www.png.ca) ([www.png.ca/ir\\_utilities.cfm](http://www.png.ca/ir_utilities.cfm)) and on the Commission's website at [www.bcuc.com](http://www.bcuc.com), which also contains detailed materials related to the Application including Commission Orders and Intervenor materials (<http://www.bcuc.com/Proceeding.aspx?ApplicationType=Current>).

## **REGISTERING TO PARTICIPATE**

Persons who expect to actively participate in this proceeding are required to register as Intervenors with the Commission, in writing or electronic submission, by Wednesday, January 14, 2009, identifying their interest in the Application and the issues they intend to pursue and the nature and extent of their anticipated involvement in the review process.

Persons not expecting to actively participate, but who have an interest in the proceeding should register as Interested Parties with the Commission, in writing or electronic submission, by Wednesday, January 14, 2009, identifying their interest in the Application.

All submissions and/or correspondence received from active participants or the public relating to the Application will be placed on the public record and posted to the Commission's web site.

## **FURTHER INFORMATION**

For further information, please contact Ms. Erica M. Hamilton, Commission Secretary, or Mr. Philip Nakoneshny, Director, Rates and Finance, as follows:

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