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VANCOUVER, B.C. V6Z 2N3 CANADA
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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-130-09**

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 Ltd.
for Approval of its 2010 Revenue Requirements
for the PNG-West Service Area

BEFORE: D.A. Cote, Panel Chair/Commissioner October 30, 2009
R.K. Ravelli, Commissioner

O R D E R

WHEREAS:

- A. On October 2, 2009, Pacific Northern Gas Ltd. ("PNG") applied to the British Columbia Utilities Commission ("Commission") for approval of its PNG-West service area 2010 Revenue Requirements Application (the "Application") to amend its rates on an interim basis, effective January 1, 2010, pursuant to sections 89 and 58 of the *Utilities Commission Act* (the "Act"); and
- B. The Application proposes to increase delivery rates to all customers, except West Fraser-Kitimat, as a result of increases in cost of service and decreased deliveries to most customer classes. West Fraser-Kitimat delivery rates do not increase in view of a contract in place that provides for fixed delivery rates over the term of the contract; and
- C. PNG forecasts a 2010 revenue deficiency of approximately \$7.7 million comprised of a net increase in cost of service of \$7.5 million and a decrease in margin of \$0.2 million; and
- D. Methanex Corp. closed its methanol/ammonia complex in Kitimat in November 2005 and PNG's 2010 cost of service includes an increase of \$5.5 million compared to 2009 due to completion in October 2009 of amortization of the Methanex contract termination payment; and
- E. On July 16, 2009 PNG and its wholly owned subsidiary Pacific Northern Gas (N.E.) Ltd., filed with the Commission a Capital Structure and Equity Risk Premium Application (the "CAP/ROE Application") seeking a common equity thickness of 47.5 percent and a rate of return on common equity ("ROE") set at 75 basis points above the Commission's low risk benchmark utility ROE. The Application reflects the changes to PNG's capital structure and ROE as proposed in the CAP/ROE Application; and

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- F. The Application seeks Commission approval to increase the delivery charge for residential service by \$2.911/GJ from \$8.380/GJ to \$11.291/GJ representing an increase of 34.7 percent compared to the 2009 delivery rates, for small commercial service by \$2.33/GJ from \$7.267/GJ to \$9.597/GJ corresponding to an increase of 32.1 percent compared to 2009 delivery rates, and for Granisle propane service by \$1.753/GJ from \$4.479/GJ to \$6.232/GJ corresponding to an increase of 39.1 percent compared to 2009 delivery rates; and
- G. PNG considers a Negotiated Settlement Process (“NSP”) would be the most efficient process for the review of the Application; and
- H. The Application requests the Commission to consider approving interim rates at the level sought under the Application effective January 1, 2010; and
- I. The Commission considers that establishing a Preliminary 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 the Commission orders as follows:

1. The preliminary regulatory timetable for the Application is as set out in Appendix A to this Order. The dates in Appendix A for events after November 27, 2009 are subject to further Order establishing the review process and the regulatory timetable for review of the Application.
2. The Commission approves for PNG delivery rates, on an interim basis, effective January 1, 2010 based on Commission approved common equity thickness of 40 percent and a rate of return on common equity set at the existing 65 basis points above the Commission’s low risk benchmark utility ROE. This results in a forecasted 2010 revenue deficiency of approximately \$6.87 million comprised of a net increase in cost of service of \$6.67 million and a decrease in margin of \$0.2 million and sets interim rates as follows:

Increase the delivery charge for residential service by \$2.597/GJ from \$8.380/GJ to \$10.977/GJ, for small commercial service by \$2.078/GJ from \$7.267/GJ to \$9.345/GJ, and for Granisle propane service by \$1.564/GJ from \$4.479/GJ to \$6.043/GJ.
3. Any differences between the 2010 interim and permanent delivery rates that are determined by the Commission following final disposition of the Application and the CAP/ROE Application are subject to refund/recovery, with interest at the average prime rate of PNG’s principal bank, in the manner as set out by a Commission Order that establishes permanent rates.
4. The Commission will accept, subject to timely filing by PNG, amended Gas Tariff Rate Schedules in accordance with the terms of this Order. PNG 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.

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5. The Application and supporting material will be made available for inspection at public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof and Fort St. James, and at the Head Office of PNG 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.
6. Intervenors and Interested Parties should register with the Commission, via E-mail, the Commission's website or in writing, by November 16, 2009, indicating their intention to intervene. The Commission is to receive submissions from Intervenors by November 25, 2009 on the appropriate regulatory review process that should be followed in the review of the Application.
7. PNG will publish, as soon as reasonably possible following the issuance of this Order but by no later than the week ending November 13, 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-West service area.
8. PNG is to provide a copy of this Order, by e-mail where possible, to all Intervenors and Interested Parties registered in the PNG 2009 Revenue Requirements Application proceedings, as well as all large industrial customers, as soon as possible.

DATED at the City of Vancouver, in the Province of British Columbia, this 2nd day of November 2009.

BY ORDER

Original signed by:

D.A. Cote
Panel Chair/Commissioner

Attachments

Pacific Northern Gas Ltd.
Application for Approval of 2010 Revenue Requirements
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PRELIMINARY REGULATORY TIMETABLE

ACTION	DATES
PNG to publish Notice of Revenue Requirements Application	by Friday, November 13, 2009
Commission Information Request No. 1	Friday, November 13, 2009
Intervenor Registration	Monday, November 16, 2009
Intervenor Information Request No. 1	Friday, November 20, 2009
Intervenor Comments regarding Regulatory Process	Wednesday, November 25, 2009
PNG Response to Commission and Intervenor IRs No. 1	Friday, November 27, 2009
Commission Order setting out Regulatory Process	Wednesday, December 2, 2009
Commission and Intervenor IRs No. 2, if necessary	Friday, December 11, 2009
PNG Response to Commission and Intervenor IRs No. 2	Friday, December 18, 2009
Potential commencement date for Negotiated Settlement Process	Monday, January 18, 2010



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NOTICE OF REVENUE REQUIREMENTS APPLICATION

THE APPLICATION

On October 2, 2009, Pacific Northern Gas Ltd. ("PNG") filed its PNG-West service area 2010 Revenue Requirements Application (the "Application") seeking approval of delivery rate increases on an interim basis pursuant to Sections 58 and 89 of the *Utilities Commission Act* (the "Act"), effective January 1, 2010.

The permanent delivery rate increase is estimated to be approximately \$2.911 per GJ for a residential customer. This represents an increase of 34.7 percent compared to 2009 delivery rates. The delivery rate increase for a small commercial customer is estimated to be \$2.330 per GJ corresponding to an increase of 32.1 percent compared to 2009 delivery rates. Similarly the Granisle propane delivery rate increase for a residential customer is estimated to \$1.753 per GJ corresponding to an increase of 39.1 percent compared to 2009 delivery rates.

Based on the gas cost recovery and GCVA rate riders effective October 1, 2009 the overall average bundled rate increase for a typical residential customer consuming 72.9 GJ per year, is 17.5 percent, an increase of \$213 per year. Similarly for a small commercial customer consuming 333.9 GJ per year, is 16.7 percent, an increase of \$779 per year and Granisle propane customers consuming 78.8 GJ per year the overall average bundled rate increase is 8.2 percent compared to the October 1, 2009 bundled rate, an increase of \$138 per year.

The lump sum increase relative to the bundled residential rate effective January 1, 2009 is 4.9 percent. The estimated small commercial bundled rate effective January 1, 2010 is 2.6 percent less than the corresponding bundled rate effective January 1, 2009.

INTERIM RATES SET BY COMMISSION

Based on Commission approved common equity thickness of 40 percent and the existing 65 basis points above the Commission's low risk benchmark utility return on common equity, the Commission approved interim rates effective January 1, 2010 in Order-130-09 as follows: residential delivery charge increase of \$2.597/GJ from \$8.380/GJ to \$10.977/GJ; small commercial delivery charge increase of \$2.078/GJ from \$7.267/GJ to \$9.345/GJ; and Granisle propane delivery charge increase of \$1.564/GJ from \$4.479/GJ to \$6.043/GJ.

PUBLIC INSPECTION OF THE APPLICATION

The Application and supporting material will be made available for inspection at the at public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof and Fort St. James, the Head Office of PNG at Suite 950, 1185 West Georgia Street, Vancouver, BC, V6E 4E6, and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, BC, V6Z 2N3.

The Application will also be available for viewing on the PNG website at www.png.ca, (www.png.ca/ir_utilities.cfm) and on the Commission's website at 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 Intervenor with the Commission, in writing or electronic submission, by November 16, 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 November 16, 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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