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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-182-08

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 Ltd.

For Approval of its 2009 Revenue Requirements  
for PNG-West 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 Ltd. ("PNG") applied to the British Columbia Utilities Commission ("Commission") for approval of its PNG-West service area 2009 Revenue Requirements Application (the "Application") to amend its rates on an interim and permanent basis, effective January 1, 2009, 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. Methanex closed its methanol/ammonia complex in Kitimat in November 2005. PNG's 2009 revenue requirements are reduced by \$5.5 million by the amortization of the Methanex contract termination payment for the ten months to October 2009; and
- D. Commission Order G-174-08 approved the Term Sheet between PNG and LNG Partners LLC dated September 18, 2008. The Initial Option Fee and any Option Extension Fee paid by LNG Partners to PNG pursuant to the terms of the Term Sheet will be recorded in an interest-bearing, non-rate base account for future disposition as directed by the Commission. Once service to LNG Partners commences, the revenue received under the firm gas transportation service agreement will be included in the PNG Industrial Customer Deliveries Deferral Account; and

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-182-08

2

- E. PNG forecasts a 2009 revenue deficiency of approximately \$2.53million which is 64% due to the net increase in cost of service and 36% due to the decrease in margin; and
- F. The gas supply cost rates and Gas Cost Variance Account ("GCVA") rate riders set forth in the Application are based on November 24, 2008 forward gas prices and are the same as set forth in PNG's fourth quarter 2008 gas supply cost report to the Commission, filed on December 4, 2008 (the "Gas Cost Report"); and
- G. The Application seeks Commission approval to increase the delivery charge for residential service by \$0.927/GJ from \$7.466/GJ to \$8.393/GJ and for small commercial service by \$0.749/GJ from \$6.492/GJ to \$7.241/GJ; and
- H. Based on the delivery charge rate changes proposed in the Application and the commodity rate changes proposed in the Gas Cost Report, the overall average bundled rate increase, for a residential gas customer consuming an average of 78 GJ per year, is 1.3%, an increase of \$18 per year and for a small commercial gas customer consuming an average of 337.2 GJ per year, is 0.4%, an increase of \$24 per year; and
- I. An overall bundled rate decrease applies to the Granisle propane customers due to propane commodity price declines offsetting the delivery rate increase. The rate decrease applicable to a typical Granisle propane customer consuming an average of 86 GJ per year, is 11.8%, a decrease of \$306 per year.
- J. This Application includes a reduction of \$900,000 of income taxes to reflect a further draw down of the deferred income tax balance. This is the same amount approved by the Commission for 2008, and PNG is seeking Commission approval to continue with the \$900,000 figure in 2009; and
- K. The Application does not include any proposed changes to PNG's capital structure or rate of return; and
- L. PNG considers a Negotiated Settlement Process ("NSP") would be the most efficient process for the review of the Application; and
- M. 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 2009 Revenue Requirements Application Preliminary Regulatory Timetable for the PNG-West service area, attached as Appendix A, has been established.

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER**            G-182-08

3

2. The Commission approves for PNG 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'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, 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.
4. 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.
5. Intervenors and Interested Parties should register with the Commission, via the Commission's website or in writing, by Friday, January 9, 2009, of their intention to intervene. Intervenors 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 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-West service area.

**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 Ltd.

Application for Approval of 2009 Revenue Requirements  
for PNG-West Service Area

**PRELIMINARY REGULATORY TIMETABLE**

<b>ACTION</b>	<b>DATES</b>
PNG filed 2009 Revenue Requirements Application	Thursday, November 27, 2008
PNG to publish Notice of Revenue Requirements Application	by Sunday, January 4, 2009
Intervenor Registration	Friday, January 9, 2009
Intervenor Comments regarding Regulatory Process	Friday, January 16, 2009
Commission Information Request No. 1	Friday, January 16, 2009
Commission Order setting out Regulatory Process	Friday, January 23, 2009
Intervenor Information Request No. 1	Friday, January 30, 2009
PNG Response to Commission and Intervenor IRs No. 1	Friday, February 13, 2009
Commission and Intervenor IR No. 2, if necessary	Friday, February 27, 2009
PNG Response to Commission and Intervenor IR No. 2	Friday, March 13, 2009
PNG files 2008 Year-End Update to the Application	Friday, March 13, 2009
Potential commencement date for Negotiated Settlement Process	Monday, March 23, 2009



Pacific Northern Gas Ltd.

Application for Approval of 2009 Revenue Requirements  
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**NOTICE OF REVENUE REQUIREMENTS APPLICATION**

**THE APPLICATION**

On November 27, 2008, Pacific Northern Gas Ltd. ("PNG") filed its PNG-West service area 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.

The average delivery rate increase is estimated to be approximately \$76 per year for a typical residential customer consuming 78 gigajoules ("GJ") per year. This represents an increase of 10.6 percent compared to October 2008 delivery rates. Similarly, an average small commercial customer consuming 337 GJ per year will pay approximately \$270 per year more for gas delivery service. This corresponds to an increase of 10.7 percent compared to October 2008 delivery rates.

The British Columbia Utilities Commission ("Commission") approved the applied for delivery rates on an interim basis effective January 1, 2009 under Order G-184-08. Based on the gas cost recovery and GCVA rate riders, approved by the Commission under Order G-184-08 and the approved interim delivery rates, the overall average bundled rate increase, for a typical residential customer consuming 78 GJ per year, is 1.3%, an increase of \$18 per year and for a small commercial customer consuming 337 GJ per year, is 0.4%, an increase of \$24 per year.

An overall bundled rate decrease applies to the Granisle propane customers due to propane commodity price declines offsetting the delivery rate increase. The rate decrease applicable to a typical Granisle propane customer consuming an average of 86 GJ per year, is 11.8%, a decrease of \$306 per year.

**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, 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 Intervenor with the Commission, in writing or electronic submission, by Friday, January 9, 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 Friday, January 9, 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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