

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3
CANADA



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-98-96

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
the Utilities Commission Act, S.B.C. 1980, c. 60, as amended
and

An Application by BC Gas Utility Ltd.
for Approval of its 1996 Rate Design Proposals

BEFORE: M.K. Jaccard, Chairperson;)
L.R. Barr, Deputy Chairperson; and) October 7, 1996
F.C. Leighton, Commissioner)

O R D E R

WHEREAS:

- A. On June 7, 1996 BC Gas Utility Ltd. ("BC Gas") filed with the Commission a rate design application to amend the rates of customers in the Lower Mainland, Inland and Columbia Divisions, except those with negotiated rates, commencing January 1, 1997 ("the Application"); and
- B. After a pre-hearing conference on June 27, 1996, the Commission issued Order No. G-71-96 which included a timetable for the public review of the Application and a Notice of Public Hearing. The hearing was subsequently rescheduled to commence on September 30, 1996; and
- C. Information requests, educational workshops and settlement negotiations on the terms of gas service were completed prior to a second pre-hearing conference held September 4, 1996. The parties then proceeded with negotiations towards a second settlement package; and
- D. A proposed settlement package regarding the terms of gas service was circulated to all Registered Intervenors prior to being considered by the Commission at the public hearing held on September 30, 1996, after which the hearing was adjourned to allow for further negotiation; and
- E. A second proposed settlement package, which essentially addressed the balance of the Application, was circulated to all Registered Intervenors prior to being considered by the Commission at the public hearing which reconvened on October 7, 1996.

NOW THEREFORE the Commission orders as follows:

1. The two settlement packages are approved as discussed in the Reasons for Decision attached as Appendix A to this Order.
2. BC Gas is directed to file in a timely fashion amendments to its Gas Tariff in accordance with the approved settlement packages.
3. BC Gas is to provide customers with a brief summary of the settlement packages approved by this Order.
4. The matter of the Company's proposal for a Service Line Cost Allowance is set down for a separate public hearing to commence October 7, 1996 at 1:30 p.m. in the Commission's Hearing Room.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of October, 1996.

BY ORDER

Original signed by:

Dr. Mark K. Jaccard
Chairperson

Attachment

BC Gas Utility Ltd.
1996 Rate Design Application

REASONS FOR DECISION

Background

BC Gas filed its 1996 Rate Design Application on June 7, 1996 ("the Application"). After a pre-hearing conference on June 27, 1996, the Commission issued Order No. G-71-96 which established a schedule for workshops, information requests and ADR sessions. Following the workshops, a number of registered intervenors entered into a first round of negotiations with BC Gas and Commission Staff with respect to the terms of gas service contained in the Application. These negotiations were successfully concluded prior to the public hearing. After the receipt of information requests pertaining to the Application, a second pre-hearing conference was held on September 4, 1996 where it was agreed that the parties would also attempt to resolve all other Application issues through a second round of negotiations. This second round of negotiations was unsuccessful prior to the public hearing to examine the Application which commenced on September 30, 1996.

At the hearing, the parties to the first round of negotiations sought Commission approval of a settlement of the matters relating to the terms of gas service ("the first settlement package"). However, the Canadian Independent Gas Marketers Association ("CIGMA") dissented with respect to certain changes proposed to Rate Schedule 14. The reasons for CIGMA's dissent were outlined in its evidence dated September 19, 1996 and filed at the hearing as Exhibit 10B. CIGMA also dissented from the general support provided for the utility's amended 1996/97 pricing proposal for interruptible gas sales under Rate Schedules 7 and 10 ("the 7/10 pricing proposal") which had been referred to this hearing for resolution (Exhibits 4 and 4A). No evidence was submitted by CIGMA on this latter issue and CIGMA chose not to appear at the hearing. However, Commission Counsel addressed the Commission Panel to ensure that it was aware of the dissent on both issues (T. 14-15). The first settlement package had also been circulated to all registered intervenors prior to the hearing and no comments were received as a result.

After the completion of submissions, the Commission retired to consider the matters and returned with a decision to approve both the first settlement package and the 7/10 pricing proposal. At this stage of the proceedings, those parties present requested that the Commission adjourn the proceedings so that they

could resume the second round of negotiations regarding the balance of the Application. The parties advised the Commission that informal discussions had indicated a likelihood of success if formal negotiations were to be resumed. On this understanding, the public hearing was adjourned for one week until October 7, 1996

The resumed negotiations were successful, so that on October 7, 1996 the hearing focused on a second settlement package which included almost all of the other unresolved matters in the Application. At the hearing, BC Gas also requested that the Commission approve two additional items not explicitly identified in either settlement package. The first was a deferral account to cover any variation in revenue forecast due to customers electing to change rate schedules under the negotiated proposals. The second request was for the recovery of hearing costs. All parties present spoke in support of both the second settlement package and the two additional requests. The second settlement package had also been circulated to all registered intervenors prior to the hearing and no comments were received as a result.

The Commission retired to consider its decision and returned to advise that it approved the second settlement package and the two additional BC Gas requests. The matter of a "Service Line Cost Allowance" which had been included in the Application was not addressed by either settlement package because of linkages to other matters under consideration by the Commission. Consistent with the wishes of the parties present, it was decided that this matter would be heard in a separate hearing commencing at 1:30 p.m. later that same day.

Reasons for Decision

The First Settlement Package - Terms of Gas Service

This settlement package covers the proposed changes to the utility's General Terms and Conditions for gas service as well as its revised industrial tariffs and was filed as Exhibit 10 at the hearing. The Commission has approved this package based on the support shown by intervenors representing a broad range of interests including gas marketers not represented by CIGMA. The following discussion addresses CIGMA's single dissenting view with respect to the particular matter of Rate Schedule 14.

The Commission has reviewed CIGMA's evidence with respect to Schedule 14, filed prior to the commencement of the hearing, and notes that with the exception of the covering letter dated September 19, 1996, the evidence consists of correspondence from CIGMA which had been previously

filed with the Commission. The essence of the covering letter was that in CIGMA's view the BC Gas proposal for Rate Schedule 14 would result in anti-competitive behaviour on the part of the utility and discrimination towards consumers.

The utility stated that its proposals under Rate Schedule 14 were intended to offer consumers additional choices and that competitive market choices were in no way precluded by any of the terms of the schedule (T. 17-18). The utility also suggested that it had a direct incentive to encourage its industrial customers to buy gas from competing suppliers so that it could sell corresponding volumes of its own gas in the off-system market and thus realize a shareholder incentive approved for its off-system sales program. The utility suggested that this incentive would tend to have the opposite effect from that suggested by CIGMA (T. 19).

The Commission does not believe that the proposed revisions to Schedule 14 are likely to result in anti-competitive behaviour by BC Gas. Furthermore, since all prices negotiated will be subject to prior Commission approval, the Commission is not persuaded that the proposed changes to Rate Schedule 14 will result in prices which are in any way discriminatory towards consumers.

Schedules 7 and 10 Pricing Proposals

Schedules 7 and 10 are interruptible sales rate schedules which offer market-based prices for small and large industrial customers respectively. The rates are adjusted annually to reflect market conditions. BC Gas filed its application for approval of pricing during the 1996/97 gas year on August 27, 1996 (Exhibit 4). At the hearing, the Utility filed an amended pricing proposal which represented a general consensus of the views of participants during negotiations (Exhibit 4A).

Again, the Commission recognizes the support for the 7/10 pricing proposals shown by intervenors representing a broad range of interests including gas marketers not represented by CIGMA. In light of this support and for the reasons stated below, which address CIGMA's dissent, the Commission has approved the amended BC Gas 7/10 pricing proposals shown in Exhibit 4A.

No evidence has been provided to explain the reasons for CIGMA's objections to a 3% winter discount from market index for Schedule 10. From the Commission's perspective, Schedule 10 pricing should be set at a level that recognizes market clearing prices and thereby optimizes the revenues returned to core market customers. While the proposed discount has been reduced from 5% to 3%, and this could result in

some loss of sales volumes, the Commission is not persuaded that such a loss would be sufficient to reduce revenues overall. On the other hand, the Commission believes that without a sufficient incentive, customers might be tempted to experiment with other market options and that Schedule 10 revenues might be significantly reduced. Generally, the Commission intends to adopt a conservative approach by approving gradually lower discounts for BC Gas interruptible sales year by year until there is evidence of total revenues from these sales being eroded.

No parties opposed the removal of the fixed price option under Schedule 10 and the Commission therefore approves that change. However, the Commission is prepared to consider future arguments from consumers to re-establish a fixed price option should market prices swing more than some consumers are able to accommodate because of budget or other concerns. It should be recognized that in establishing such value-based fixed prices, there will be a tendency to err on the high side so that the convenience of such options may typically be attained only at a higher cost.

The Second Settlement Package - Rate Shifts

The second settlement package addressed the company's proposals for rate shifts which would collect more of its costs from residential customers and less from industrial customers based on updated cost studies contained in the Application. After studying the negotiated settlement, the Commission is satisfied that it represents a fair proposal for all customer classes and has therefore approved this second settlement package.

The results of this second settlement package received unanimous support from those parties actively participating in the hearing process who represented a broad range of interests including those of residential customers. However, following the publication of the hearing notice by the utility (Exhibit 9), the Commission did receive numerous letters of concern about the rate changes proposed in the Application, primarily from residential customers (Exhibit 7).

Many of these residential customers objected to the large increase in the monthly basic charge. Some, who used very little gas, were simply concerned (correctly) that their unit costs would rise as a result. However, many other residential customers who wrote to the Commission apparently did not understand that the increase in the basic charge was offset by a reduction in the consumption charge with the effect that there would be no effect on the bill of an average volume residential customer solely from the change to the basic charge. This misunderstanding was clearly the case in a letter where a residential customer had

calculated a 74% increase in his costs, rather than the 2.9% overall increase for the residential class proposed in the Application.

The Commission is satisfied that the majority of the customer concerns expressed in Exhibit 7 have been addressed by this settlement package. The basic charge for residential customers will now increase from the current \$6.32 to \$7 compared with the \$11 over three years proposed in the Application. More significantly, the rate shift to the residential class has been reduced from the \$11.2 million proposed in the Application to \$5.66 million, so that the overall increase now approved for the residential class is reduced from 2.9% to about 1.5%. At the other end of the customer spectrum, large industrial customers will save in excess of \$3 million per year under the settlement. Overall, the Commission is satisfied that the settlement treats all customers fairly and is consistent with the Commission's long-term objective of more closely aligning customer rates with the customer-induced costs in each of the rate classes.

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UTILITIES COMMISSION

ORDER
NUMBER G-102-96

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IN THE MATTER OF
the Utilities Commission Act, S.B.C. 1980, c. 60, as amended

and

An Application by Squamish Gas Co. Ltd.
Review of Utility Operations for Fiscal Periods August 6, 1991 to December 31, 1995

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr, Deputy Chairperson) October 10, 1996

O R D E R

WHEREAS:

- A. The Commission, by Order No. G-56-96, directed Squamish Gas Co. Ltd. ("Squamish Gas") to file an application by August 31, 1996 covering utility operations for the fiscal periods August 6, 1991 to December 31, 1995 as required by the Ministry of Employment and Investment in its letter dated May 31, 1996; and
- B. On August 30, 1996 Squamish Gas filed its Application and, by Order No. G-88-96 the Commission ordered that a pre-hearing conference be held on October 9, 1996; and
- C. As a result of information provided by the participants at the pre-hearing conference, the Commission finds that a Pre-Hearing Workshop in Squamish would provide customers with information about the Application and clarification of the issues.

NOW THEREFORE the Commission orders as follows:

1. A Pre-Hearing Workshop into the Squamish Gas Application will be held at 7:00 p.m. on October 24, 1996 at the Sea to Sky Hotel, 40330 Tantalus Way, Garibaldi Highlands, Squamish, B.C., as indicated in the Notice attached as Appendix A to this Order.
2. Squamish Gas is directed to attend the Pre-Hearing Workshop with informed company representatives to answer questions from customers in attendance.
3. Squamish Gas will arrange for publication of the attached Notice of Pre-Hearing Workshop in two consecutive issues of the local newspaper the Squamish Chief in advance of the October 24, 1996 Workshop. The newspaper advertisements are to be supplemented by the use of spot radio ads and community service announcements so as to provide adequate public notice to customers in the Squamish service area.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of October, 1996.

BY ORDER

Original signed by:

Dr. Mark K. Jaccard
Chairperson

Attachment

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**SQUAMISH GAS CO. LTD.
NOTICE OF PRE-HEARING WORKSHOP**

Date: Thursday, October 24, 1996
Time: 7:00 p.m.
Location: Sea to Sky Hotel
40330 Tantalus Way, Garibaldi Highlands
Squamish, B.C.

INVITATION:

The Public is invited to a B.C. Utilities Commission sponsored workshop at the time, location and date specified above regarding Natural gas Distribution Service by Squamish Gas.

PURPOSE:

Natural gas has been distributed to the Squamish area since 1991. The price of natural gas service to Squamish Gas customers has been set as a discount to heating fuel prices. The Province of British Columbia, through a Rate Stabilization Fund, has covered any revenue deficiencies of Squamish Gas in providing natural gas service, as well, any revenue surpluses experienced by Squamish Gas are remitted back to the Province of British Columbia. A condition of the Rate Stabilization Fund is a periodic review by the Commission at the costs of Squamish Gas.

Specifically, the Commission is conducting a review for the period August, 1991 through December, 1995. The workshop is intended to provide information regarding Squamish Gas costs during the subject period, the setting of natural gas prices in Squamish, other issues regarding natural gas service in Squamish, and any issues related to the provision of bottled propane service by Squamish Gas.

INFORMATION:

Documents related to this matter are available for review at: the Squamish Gas office at 38152 - 2nd Avenue, the Squamish Public Library at 37955 - 2nd Avenue, or the B.C. Utilities Commission office at 6th Floor - 900 Howe Street, Vancouver, B.C.

Any further information can be obtained by contacting Squamish Gas, Mr. Peter Martin, Squamish Gas Area Manager, at (604) 892-5455, Mr. J.O. Wessler at (604) 443-6626 or the B.C. Utilities Commission, Mr. Robert J. Pellatt by telephone at (604) 660-4700 or B.C. Toll-Free 1-800-663-1385.

BY ORDER

Original signed by:

Robert J. Pellatt
Commission Secretary