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VIA E-MAIL

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November 24, 2008

Mr. Tom Loski
Chief Regulatory Officer
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Mr. Loski:

Re: Terasen Gas Inc.
Fort Nelson Service Area – An Application by Terasen Gas Inc.
For Approval to Amend its Schedule of Rates Effective January 1, 2009

Further to your September 4, 2008 application for approval of the Fort Nelson Service Area 2009 Revenue Requirements and changes to the RSAM rate rider and delivery rates, please find enclosed Commission Order G-172-08.

Yours truly,

A handwritten signature in black ink, appearing to read "Erica M. Hamilton".

Erica M. Hamilton

cms
Enclosure

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-172-08**

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

and

**An Application by Terasen Gas Inc.
For Approval to Amend its Schedule of Rates
Effective January 1, 2009
For the Fort Nelson Service Area**

BEFORE: L.F. Kelsey, Commissioner
P.E. Vivian, Commissioner November 20, 2008
D.A. Cote, Commissioner

O R D E R

WHEREAS:

- A. British Columbia Utilities Commission ("Commission") Order G-17-04 approved for Terasen Gas Inc. Fort Nelson Service Area ("Terasen Fort Nelson" or the "Company") its 2004 Revenue Requirement Application, which included the implementation of a Rate Stabilization Adjustment Mechanism ("RSAM") effective January 1, 2004; and
- B. The approved RSAM utilizes a deferral account to record the difference on a use per customer basis between forecast delivery margin used for rate making purposes and actual margin received from residential and commercial customers. For industrial (Rate 25) customers, the RSAM account records margin variations arising from the difference between forecast and actual deliveries. The amounts recorded in the RSAM account are to be amortized over the subsequent three-year period and recovered from or refunded to customers by way of a positive or negative rider on rates; and
- C. On September 4, 2008, Terasen Fort Nelson filed a detailed application for approval of its 2009 Revenue Requirements (the "Application") on a permanent basis, pursuant to Sections 58, 60 and 61 of the Utilities Commission Act ("the Act"), effective January 1, 2009; and
- D. The Application sought approval on a permanent basis, effective January 1, 2009, to increase the RSAM rate rider from \$0.116/GJ by \$0.027/GJ for a total rate rider of \$0.143/GJ; and
- E. The Application also sought a revenue requirement increase of \$209,000 for the 2009 test year, effective January 1, 2009, resulting in an average 3.0 percent rate increase for all sales rate classes or a 17.0 percent

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-172-08

2

increase on a delivery margin basis for all customers. The calculations contained in the Application are based on the approved Rate of Return on Equity ("ROE") allowed for 2008 by Commission Letter L-93-07; and

- F. Terasen Fort Nelson considered that a written hearing process would be appropriate for the review of the Application and proposed a regulatory timetable that included a deadline for Intervenor registration and Intervenor comments regarding the regulatory review process; and
- G. By Order G-144-08, the Commission established a Preliminary Regulatory Timetable for the review of the Application that required the publication of a Notice of Revenue Requirements Application, an Intervenor and Interested Party registration deadline of October 10, 2008 and a deadline of October 10, 2008 for Intervenor comments on the further regulatory review process of the Application and the Preliminary Regulatory Timetable; and
- H. In accordance with the Preliminary Regulatory Timetable in Order G-144-08 on October 2, 2008, the Commission issued its Information Request No. 1 to Terasen Fort Nelson; and
- I. On October 8, 2008, Canfor Corporation announced in a press release that due to the continued poor demand and low prices for plywood across North America, it would be closing indefinitely its Tackama plywood plant in Fort Nelson, British Columbia, once the existing log and veneer inventories are depleted, which was expected to occur by the end of October 2008; and
- J. No Intervenors or Interested Parties registered and no Intervenors provided comments by the October 10, 2008 deadline set by Order G-144-08; and
- K. On October 16, 2008, the Commission issued Order G-153-08 that determined the review of the Application would occur through a written hearing process and set a deadline of November 6, 2008 for the Commission to confirm if Information Request No. 2 is required, and if Information Request No. 2 is not required, then Terasen Fort Nelson is to file its Written Comments by Thursday, November 13, 2008; and
- L. On October 30, 2008, Terasen Fort Nelson filed an Amended Application (the "Amended Application") to reflect changes to the revenue deficiency, delivery rates, and revenue stabilization adjustment mechanism to be effective January 1, 2009; and
- M. On October 30, 2008, Terasen Fort Nelson filed responses to Commission Information Request No. 1. All the responses were based on and reflected the Amended Application concurrently filed by Terasen Fort Nelson; and
- N. The Amended Application seeks approval on a permanent basis, effective January 1, 2009, to increase the RSAM rate rider from \$0.116/GJ by \$0.120/GJ for a total rate rider of \$0.236/GJ; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-172-08**

3

- O. The Amended Application seeks a revenue requirement increase of \$377,000 for the 2009 test year, effective January 1, 2009, resulting in an average 6.7 percent rate increase for all sales rate classes or a 36.0 percent increase on a gross margin basis for all customers; and
- P. On November 5, 2008, Terasen Fort Nelson filed Erratum to the response to Question 7.1 of Commission Information Request No. 1. The correction has no impact on the 2009 Revenue Requirements and rate proposals filed in the Amended Application dated October 30, 2008; and
- Q. The Commission considered the Terasen Fort Nelson responses to Commission Information Request No. 1 and decided an Information Request No. 2 was not required. On November 6, 2008, the Commission directed Terasen Fort Nelson to file its Written Comments, based on the Amended Application, by Thursday, November 13, 2008; and
- R. Terasen Fort Nelson filed its Written Comments on November 13, 2008. Terasen Fort Nelson noted the most significant event affecting the Amended Application was the closure of the Company's last major industrial customer resulting in a material and significant impact on the delivery margin; and
- S. The Commission has considered the Amended Application, the evidence adduced in relation thereto and the submissions.

NOW THEREFORE pursuant to Section 58 of the Act, the Commission orders as follows:

- 1. Terasen Fort Nelson's Amended Application to revise its schedule of rates effective January 1, 2009 is approved, subject to a recalculation to reflect the 2009 allowed ROE determined by the Generic Mechanism once issued by the Commission.
- 2. Terasen Fort Nelson is to inform all affected customers of the final rates by way of a bill insert or customer notice, to be submitted to the Commission in draft form prior to its release.
- 3. Terasen Fort Nelson is to file amended Gas Tariff Rate Schedules in accordance with this Order in a timely manner.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of November 2008.

BY ORDER



L.F. Kelsey
Commissioner