



SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.b cuc.com>

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-116-01

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

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

and

BC Gas Utility Ltd.
2001 Rate Design Application

BEFORE: P. Ostergaard, Chair)
B.L. Clemenhagen, Commissioner) November 7, 2001

O R D E R

WHEREAS:

- A. On February 5, 2001, BC Gas Utility Ltd. ("BC Gas") filed with the Commission an application for approval to implement certain rate design changes ("the Application") in its service areas; and
- B. The Commission, by way of Order No. G-21-01, established a Workshop and Pre-hearing Conference on February 28, 2001, for participants to discuss the issues in the Application and methods of proceeding with a Commission review; and
- C. At the Workshop and Pre-hearing Conference, participants requested that Commission staff hire an independent rate design consultant to validate the BC Gas Cost of Service study, and to make the consultant's report available to participants; and
- D. The Commission considered the request of the participants at the Pre-hearing Conference and, by Order No. G-32-01, approved the hiring of an independent rate design consultant to conduct a review of the BC Gas Cost of Service study under the direction of Commission staff; and
- E. By Order No. G-32-01, the Commission established a process for information requests, responses and submissions to the Commission on the further review of the Application, which would follow circulation of the consultant's report; and
- F. By letter dated June 1, 2001, Commission staff circulated the consultant's report to Registered Intervenor and other participants in the Workshop and Pre-hearing Conference; and
- G. Following circulation of information requests and responses, Intervenor made submissions to the Commission on the merits of resolving the rate design issues through an oral or written public hearing or a negotiated settlement process; and
- H. After reviewing the submissions by BC Gas, Intervenor and other participants in the Workshop and Pre-hearing Conference, the Commission, by way of Order No. G-82-01, established a time frame for a further round of information requests, a workshop for September 11, 2000 and a Negotiated Settlement Process to start on September 17, 2001; and
- I. The Negotiated Settlement Process commenced on September 17, 2001 and continued on various dates through to October 3, 2001; and

- J. The Negotiated Settlement Process culminated in a proposed Settlement Document, which was circulated to participants on October 15, 2001, with a request for letters of endorsement; and
- K. In a letter dated October 22, 2001, Commission staff circulated the proposed Settlement Document and participant comment letters to the Commission, BC Gas and all Intervenors and Interested Parties registered with the Commission with respect to the Application; and
- L. The Commission has considered the proposed Settlement Document, the Application, the letters of comment, and other submissions related to the Application; and
- M. The Commission finds that the proposed Settlement Document is in the public interest and should be approved.

NOW THEREFORE the Commission approves for BC Gas the Settlement Document attached as Appendix 1 to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this eighth day of November 2001.

BY ORDER

Original signed by:

Peter Ostergaard
Chair

Attachment

BC Gas Utility Ltd
2001 Rate Design Application
October 3rd, 2001 Settlement Document

Background

The British Columbia Utilities Commission, by Order No. G-75-00 dated August 4, 2000, directed BC Gas Utility Ltd. ("BC Gas") to file a comprehensive rate design application. BC Gas filed its Application February 5, 2001. The Commission issued Order No. G-21-01 that specified that the Commission would hold a Workshop and Pre-Hearing conference on Wednesday, February 28, 2001. As directed, BC Gas published the Notice of Workshop and Pre-Hearing Conference included in the Order in the appropriate news publications.

At the February 28th Workshop, BC Gas provided participants with a detailed review of the Application. During the Pre-hearing Conference, participants requested that Commission staff hire an independent rate design consultant to validate the BC Gas Cost of Service study and make the results of the study available to participants. By Order No. G-32-01 the Commission directed Commission staff to engage a consultant and also established a process for information requests, responses and submissions to the Commission on the further review of the Application following circulation of the Consultant's report.

Commission staff circulated the Consultant's report on June 1, 2001 to Registered Intervenors and other Workshop and Pre-hearing Conference participants. Information requests and responses followed and participants made submissions to the Commission regarding the merits of resolving the rate design issues through an oral or written public hearing process or a negotiated settlement process. On July 30, 2001, the Commission issued Order No. G-82-01 establishing a process for additional information requests and responses to be completed by August 31, 2001. This Order also established a second Workshop to be held on September 11, 2001, and directed that the Negotiated Settlement Process would commence on September 17, 2001.

Negotiations commenced September 17, 2001 and continued on various dates through to October 3, 2001. The parties represented during the settlement negotiations are listed on Attachment A.

Set out below are the terms of the settlement reached during those negotiations.

1. The Large Volume Transportation (Rate Schedule 22) interruptible delivery charge will be reduced by \$0.046/GJ to \$0.62/GJ from the current \$0.666/GJ. This will reduce total Rate 22 delivery margin revenue by approximately \$707,000 per year.

2. The decrease in delivery margin arising from the reduction of the Large Volume Transportation (Rate 22) interruptible delivery charge will be recovered through an increase in the Residential (Rate Schedule 1) delivery margin. This increase in the residential delivery margin is estimated to be \$0.009/GJ.
3. The Residential (Rate Schedule 1) Basic Charge, exclusive of any riders, will increase by \$1.34 per month from the current \$8.66 per month to \$10.00 per month. The increase in the Residential Basic Charge will be offset by a decrease in the delivery margin, so that the increase in the Residential Basic Charge will be revenue neutral. This decrease in the residential delivery margin is estimated to be \$0.139/GJ.
4. In order to achieve an economic breakpoint between Small Commercial Service (Rate Schedule 2) and Large Commercial Service (Rate Schedules 3/23) that approaches 2,000 GJ per year, Rate Schedules 2 and 3/23 will be revised as proposed by BC Gas in the Application under Tab 6, page 3.
5. All of the revisions to rates listed above will be implemented effective January 1, 2002 and will be calculated prior to any revisions to rates arising from the revenue requirements of BC Gas and prior to revisions to the charges paid by customers arising from the removal, imposition or alteration of rate riders effective January 1st, 2002.
6. The rates made interim pursuant to Commission Order No. G-75-00 will be made permanent effective January 1st, 2001.
7. No changes will be made to the charges for Backstopping, Balancing and Unauthorized Overrun gas. If BC Gas demonstrates that the services provided are being used inappropriately, proposals for changes can be made at that time.
8. The issues raised on behalf of Fording Coal and related to Columbia Service Area Rate Schedules 22B and 23 will be resolved separately between representatives of Fording Coal, BC Gas, and Commission staff.
9. The following definition of “Municipal Operating Fees” will be added to the Definitions in the General Terms and Conditions.

Municipal Operating Fees – Has the same meaning as Franchise Fees.

There will be no other changes to the General Terms and Conditions at this time.

10. The costs incurred during this rate design proceeding by BC Gas including participant cost assistance awards approved by the Commission will be recorded by BC Gas in a deferral account and amortized over three years starting January 1st, 2002.
11. The participants agree that in an unbundled natural gas market, Margin to Cost ratios are more indicative of cost incidence than Revenue to Cost ratios. Participants had various views regarding the appropriate level of class Margin to Cost ratios, and how these should be used for establishing rates, and did not reach any agreement in principle on these issues.

The settlement described above was reached by participants based on a wide range of information provided in BC Gas' Application and associated information responses, workshop presentations, materials provided by participants and their consultants, and discussions amongst the participants.

The settlement establishes rates effective January 1, 2002. The settlement is not based on, nor should it be interpreted as, an acceptance by any participant of the Application's underlying principles or the positions advanced by any participant; this includes the results of any particular cost of service study methodology, the treatment of specific costs or classes of costs (including but not limited to the treatment of distribution mains costs), and any of the rate design principles or proposals arising from the studies. Further, there is no explicit or implicit agreement among participants as to the appropriate pricing methodology or discounts to be applied in establishing interruptible rates.

Attachment

Negotiated Settlement Process

BC Gas Utility Ltd.
2001 Rate Design Application

List of Attendees:

BC Gas Utility Ltd.	David Masuhara Dietz Kellmann Michael Stulken Tom Loski Ed Moore Dan Lum Cal Johnson, Counsel Fasken Martineau DuMoulin
Avista Energy Canada, Ltd.	Nick Caumanns Ken Fuhr
Atlin Energy Management Inc.	Kim DeSante
Inland Industrial Group	David Bursey Max Collett Bull Housser & Tupper
Consumers' Association of Canada (B.C. Branch) et al.,	Richard Gathercole BC Public Interest Advocacy Centre
BC Hot House Growers' Association	Mark Kurschner
IGI Resources Inc.	Jim Langley
Fording Coal Ltd.	David Newlands
RT O'Callaghan & Associates Inc.	Richard O'Callaghan
Lower Mainland Large Gas Users' Association	John Barnes Peter Milne Chris Weafer, Counsel Owen Bird
Central Heat Distribution Limited	Gerald Mitton
United Flower Growers Co-op Association	John Sommer
B.C. Utilities Commission	Bill Grant Jim Fraser Mark Gosling Eileen Cheng Gordon Fulton, Counsel Boughton Peterson Yang Anderson