



**LETTER L-18-12**

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. CANADA V6Z 2N3  
TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

Log No. 39358

ALANNA GILLIS  
ACTING COMMISSION SECRETARY  
Commission.Secretary@bcuc.com  
web site: <http://www.bcuc.com>

**VIA EMAIL**

cdonohue@png.ca

March 19, 2012

Mr. C.P. Donohue  
Director, Regulatory Affairs & Gas Supply  
Pacific Northern Gas Ltd.  
950 – 1185 West Georgia Street  
Vancouver, BC V6E 4E6

Dear Mr. Donohue:

Re: Pacific Northern Gas Ltd.  
First Quarter 2012 Report on Gas Supply Costs  
For the PNG(NE) Fort St. John/Dawson Creek and Tumbler Ridge Divisions

On March 9, 2012, Pacific Northern Gas Ltd. filed with the British Columbia Utilities Commission (Commission) its 2012 First Quarter Report on gas supply costs and Gas Cost Variance Account (GCVA) balances for its Fort St. John/Dawson Creek (FSJ/DC) and Tumbler Ridge Divisions (the Report). The forecast natural gas price is based on using the average of five consecutive days forward price forecasts ending February 17, 2012.

The Report forecasts for its FSJ/DC Division that the ratio of gas commodity cost recoveries at current rates to forecast gas commodity costs over the following 12 months would be 1.086, which would indicate a rate reduction of less than \$0.50/GJ for all FSJ/DC rate classes. Commission Letter L-40-11 states that the gas supply cost recovery "rate change trigger mechanism will be the plus/minus 5 percent trigger plus a minimum rate change threshold of plus/minus \$0.50/GJ". Since the indicated rate reduction is less than \$0.50/GJ and PNG(NE) is not requesting a change to the current gas commodity charge, the Commission accepts that no change is required at this time.

The Report forecasts for the Tumbler Ridge Division that the ratio of gas commodity cost recoveries at current rates to forecast gas commodity costs over the following 12 months would be 1.304, which would indicate a rate reduction of less than \$0.50/GJ for all Tumbler Ridge rate classes. Since the indicated rate reduction is less than \$0.50/GJ and PNG(NE) is not requesting a change to the current gas commodity charge, the Commission accepts that no change is required at this time.

The Report also requests making no changes to rate riders associated with existing deferral accounts, nor to any 'company use' gas costs or riders. The Commission accepts that no change is required.

Yours truly,

Alanna Gillis

TS/cms

Orders/L-18-12\_PNG(NE) First Quarter Gas Costs