

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-168-13**

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

**Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd
Request for Reconsideration
of Orders G-114-13 and G-131-13**

BEFORE: D.A. Cote, Panel Chair/Commissioner
C.A. Brown, Commissioner October 10, 2013
C. van Wermeskerken, Commissioner

O R D E R

WHEREAS:

- A. On August 1, 2013, the British Columbia Utilities Commission (Commission) issued Order G-114-13 concurrently with its Decision (PNG West Decision 2013) on the Pacific Northern Gas Ltd. (PNG West) 2013 Revenue Requirements Application (RRA) pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA). PNG West Decision 2013 directed the utility to file its 2014 RRA for a period of two years, among other things;
- B. By way of letter dated August 19, 2013, PNG West applied for a reconsideration of Order G-114-13, pursuant to section 99 of the UCA. Specifically, PNG West requests a variance to delay the implementation of the directive for PNG West to file its 2014 RRA for a period of two years until the 2016 and 2017 test years (PNG West Reconsideration Request);
- C. On August 23, 2013, the Commission issued Order G-131-13 concurrently with its Decision [PNG (N.E.) Decision 2013] on the Pacific Northern Gas (N.E.) Ltd. [PNG (N.E.)] 2013 RRA pursuant to sections 59 to 61 of the UCA. PNG (N.E.) Decision 2013 directed the utility to file its 2014 RRA for a period of two years, among other things;
- D. By Letter L-49-13 dated August 29, 2013, the Commission sought written submissions on the PNG West Reconsideration Request in the context of both PNG West Decision 2013 and PNG (N.E.) Decision 2013;
- E. By way of letter dated August 29, 2013, PNG (N.E.) applied for a reconsideration of Order G-131-13, pursuant to section 99 of the UCA. Specifically, PNG (N.E.) requests a variance to delay the implementation of the directive for PNG (N.E.) to file its 2014 RRA for a period of two years until the 2016 and 2017 test years [PNG (N.E.) Reconsideration Request];

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** **G-168-13**

2

- F. The Commission received written submissions from British Columbia Pensioners' and Seniors' Organization et al. (BCPSO) and PNG. BCPSO supports the PNG West Reconsideration Request and the PNG (N.E.) Reconsideration Request; and
- G. The Commission Panel has reviewed the submissions and determines that Orders G-114-13 and G-131-13 should be varied for the Reasons for Decision set out in Appendix A to this Order.

NOW THEREFORE pursuant to Section 99 of the *Utilities Commission Act*, the Commission orders as follows:

1. The Directive in Order G-114-13 requiring Pacific Northern Gas Ltd. to file its 2014 Revenue Requirements Application for a period of two years is varied to instead require Pacific Northern Gas Ltd. to file its Revenue Requirements Application for a period of two years, commencing in test years 2016 and 2017.
2. The Directive in Order G-131-13 requiring Pacific Northern Gas (N.E.) Ltd. to file its 2014 Revenue Requirements Application for a period of two years is varied to instead require Pacific Northern Gas (N.E.) Ltd. to file its Revenue Requirements Application for a period of two years, commencing in test years 2016 and 2017.

DATED at the City of Vancouver, in the Province of British Columbia, this *10th* day of October 2013.

BY ORDER

Original signed by:

D.A. Cote
Commissioner

Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd
Applications for Reconsideration of Orders G-114-13 and G-131-13

REASONS FOR DECISION

Pacific Northern Gas Ltd. (PNG West) and Pacific Northern Gas (N.E.) Ltd. [PNG (N.E.)] have applied to the British Columbia Utilities Commission (Commission) to vary Commission Orders G-114-13 dated August 1, 2013, and G-131-13 dated August 23, 2013, respectively, and the Decisions issued with those Orders, pursuant to Section 99 of the *Utilities Commission Act*. PNG West and PNG (N.E.) (collectively referred to as PNG) seek a reconsideration and variance to the Decisions that directed PNG to file Revenue Requirement Applications (RRA) covering a two year period commencing in 2014.

PNG requests that the Directives to provide two-year Revenue Requirement Applications be delayed until 2015, for the 2016 and 2017 test years. The original Reasons for Decision for each of PNG West and PNG (N.E.) provided that filing future RRAs covering a time span of two years is both administratively efficient and prudent from a cost perspective, with benefits to both the utility and the ratepayer.

The process for an application for reconsideration is outlined in the Participants Guide to the British Columbia Utilities Commission, and occurs in two phases. In the first phase, the applicant must establish that a reasonable basis exists for the reconsideration. To advance to the second phase the applicant must meet one of the following criteria:

- the Commission has made an error of fact or law;
- there has been a fundamental change in the circumstances or facts since the Decision; or
- a new principle has arisen as a result of the Decision.

As well, the basis for the advancement to second stage must show:

- the claim of error is substantiated on a prima facie basis; and
- the error has significant material implications.

By letter dated August 29, 2013, the Commission sought written submissions on the PNG West reconsideration request in the context of both PNG West Decision 2013 and PNG (N.E.) Decision 2013.

PNG submits that there were no information requests or final arguments raised in the PNG West 2013 RRA and the PNG (N.E.) 2013 RRA with regard to the frequency of PNG's RRAs or the appropriateness of multi-year filings in PNG's circumstances. Therefore, PNG submits that it has not had an opportunity to consider and respond to the issue of a two-year RRA at that time, prior to a Commission determination being made.

In addition, PNG has cited three reasons to support its request:

1. It anticipates potential significant changes in its 2015 business, primarily arising from the commencement by LNG Partners of its proposed LNG project;

2. Its budgeting process for 2014 is well underway, requiring human and financial resources that are already scarce, which would put PNG under pressure; and
3. The preparation and filing of two-year RRAs requires a significant redesign of their internal processes and procedures and the creation of new and integrated multi-year financial models.

While acknowledging that other utilities make multi-year submissions, which may provide opportunities for economies of scale and cost-efficiencies, PNG submits that, for the reasons noted above, 2014 is not the appropriate year to begin such a process. PNG therefore proposes that the 2015 RRA would include seeking approval for resources to implement a thoughtful redesign of internal processes and procedures to create appropriate financial models for a two-year RRA. In addition, it anticipates that with clarity of business opportunities by 2015, the impacts can be incorporated into its RRA planning. PNG submits that it expects to be in a position to submit RRAs in 2015 for the 2016/2017 test years.

While British Columbia Pensioners' and Seniors' Organization et al. (BCPSO) acknowledges the efficiency of a two-year RRA model, it supports PNG's applications for reconsideration. Though BCPSO notes that uncertainty is a regular issue for RRA processes, it agrees that there are potential significant changes in PNG's business over the next two years, particularly in relation to LNG projects. BCPSO submits that a two-year delay may provide for more certainty.

The Commission Panel grants PNG's request to postpone the implementation of a two-year RRA to the 2016/2017 fiscal years for both PNG West and PNG (N.E.). The Panel acknowledges that the time between the PNG 2013 RRA Decisions and the deadline for initial filing of the 2014 RRAs may be problematic for PNG, in terms of allocating resources and changing their models and processes to accommodate a two-year RRA. Providing more time for PNG to prepare for a two-year process will allow PNG to develop its RRAs more efficiently and accurately. In addition, the Panel considers that postponing the implementation of the two-year RRA process should provide adequate time to allow PNG to increase certainty with respect to economic issues, including the LNG projects. Therefore, the Commission Panel finds it reasonable and appropriate for PNG West and PNG(N.E.) to delay filing two-year RRAs until 2015, in support of the 2016/2017 Test Years. Notwithstanding, the Panel notes that most utilities are faced with economic uncertainty and businesses must learn to cope with uncertainty, making informed decisions about economic assumptions that impact budgets and planning.