



**LETTER L-29-15**

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**VIA E-MAIL**

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July 23, 2015

Ms. Janet P. Kennedy  
Vice-President, Regulatory Affairs & Gas Supply  
Pacific Northern Gas Ltd.  
950, 1185 West Georgia Street  
Vancouver, BC V6E 4E6

Dear Ms. Kennedy:

Re: Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd.  
2015 Annual Gas Contracting Plan (November 2015 – October 2016)

On June 9, 2015, Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. (PNG) filed on a confidential basis its Annual Gas Contracting Plan (ACP) for the period of November 2015 to October 2016 (2015/16). PNG's 2015/16 ACP outlines plans to meet the natural gas requirements for all of PNG's service areas, including PNG-West (west of Summit Lake) and Pacific Northern Gas (N.E.) Ltd. [PNG(N.E.)]. PNG(N.E.) includes Fort St. John and Dawson Creek (FSJ/DC) and Tumbler Ridge (TR). PNG also provided a non-confidential executive summary of the 2015/16 ACP.

The British Columbia Utilities Commission (Commission) reviewed the filing and accepts the 2015/16 ACP as in the public interest. The Commission notes three matters in the filing and requests PNG to file information as follows:

1. Storage Agreement: PNG states that it plans to renew the existing storage agreement, which expires on March 31, 2016, for an additional 3-year term with the same profile. The Commission requests that PNG provide a review of the storage and transportation requirements and alternatives for the 2016/17 and future contract years and an analysis to optimize the amounts of transportation and storage to be contracted in future years taking into account the regional infrastructure and market developments currently in place and anticipated to be in place in the future. This information is to be provided at the same time PNG files with the Commission the renewed storage agreement, or when PNG executes an alternate plan to secure gas supply.
2. T-South Transportation Service: PNG states that Spectra Energy Corp. (Spectra) is working on expansion plans for their T-South system to Huntingdon/Sumas and should these plans proceed they could result in PNG having limited options to obtain capacity for future load growth. In the 2015/16 ACP, PNG indicated that it will continue to monitor Spectra's expansion plans and if a decision is made by PNG, PNG will address this in a separate application to the Commission. The Commission requests that, at the time of

3. filing, PNG provide an analysis of its future load growth; transportation requirements; and available options, taking into account regional infrastructure and market developments. The Commission expects that the analysis would support the option selected by PNG to secure capacity.
4. Peak Day Demand Forecasting Methodology: In Letter L-46-14 the Commission noted that the PNG-West forecast peak day demand in the 2014/15 ACP was not aligned with the forecast included in the PNG-West 2014 Resource Plan. The Commission requested that, as part of the 2015/16 ACP, PNG should provide an update and demonstrate how it has harmonized the peak day demand forecast methodologies such that the ACP forecast is consistent with the resource plan forecasts for all service areas. PNG has provided an update and has stated its intent to have this directive completed for the 2016/17 ACP. The Commission expects that this intent is realized and that the directive is completed for PNG's 2016/17 ACP.

The Commission will hold the 2015 ACP and associated documents confidential as requested by PNG as it contains market sensitive information. A copy of the non-confidential executive summary of the ACP is attached to this Letter and is available for public review.

Yours truly,

Erica Hamilton

ES/dg  
Enclosure



## EXECUTIVE SUMMARY

Pacific Northern Gas Ltd. ("PNG") hereby submits and seeks acceptance from the British Columbia Utilities Commission (the "Commission") of its Annual Gas Contracting Plan, dated June 2015 ("ACP 2015") and covering the period of November 2015 to October 2016 ("2015/16 Gas Year"). ACP 2015 encompasses PNG's plan to meet the natural gas requirements for all of PNG's service areas, including PNG-West (west of Summit Lake) and PNG(N.E.), which includes the Fort St. John and Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") service areas.

The objectives of ACP 2015 are as follows:

- 1) To provide cost-effective gas supply resources that ensure secure and reliable gas deliveries to customers;
- 2) To provide a balanced mix of price diversity and cost effectiveness in the portfolio; and
- 3) To diversify PNG's supply portfolio and transportation capacity contracts to incorporate longer and shorter terms to allow for contracting flexibility.

These objectives are consistent with those of ACP 2014 that were accepted by the Commission under Letter L-46-14. Previous ACPs have been successful in meeting these objectives and PNG submits that ACP 2015 will enable PNG to continue to meet these objectives in the best interests of customers for the 2015/16 Gas Year and on a go-forward basis.

### Demand Forecast – Peak Day Demand

The forecast aggregate peak day demand for PNG-West and PNG(N.E.) FSJ/DC for the 2015/16 Gas Year is 66,676 GJs, which is an increase of 5,531 GJs from the peak day forecast for the 2014/15 Gas Year of 61,145 GJs. The peak day has increased mainly due to growth in residential, commercial and industrial demand in PNG(N.E.)'s FSJ/DC service area.

The forecast PNG(N.E.) TR peak day demand for the 2015/16 Gas Year is forecast to decrease to 2,277 GJs, down 301 GJs from 2,578 GJs for the prior year due to the downturn in economic conditions in this region.

### Gas Supply Resource Portfolio

PNG will meet its gas demand requirements using a balanced approach taking into consideration cost effectiveness, security, diversity, and reliability of gas supply. In order to achieve this, PNG will contract for supply from different counterparties and contract for both daily priced and monthly priced supply. The higher peak day requirement of 5,531 GJ/d for PNG-West and PNG(N.E.) FSJ/DC will primarily be sourced by increasing firm December



through February peaking supply and maintaining a balance between monthly and daily priced supply.

### **Gas Storage**

Subsequent to the Commission's approval of ACP 2013, PNG submitted an amended ACP 2013 and a proposed storage agreement with Tenaska Marketing Canada. The Commission approved these submissions under Order E-12-13 and PNG contracted for a three year storage service that expires March 31, 2016. Storage provides PNG with some cost certainty heading into the winter season and acts as insurance against winter weather events. PNG continues to believe that the value of storage will increase as the utilization of PNG's system increases. Therefore, it is PNG's intent to renew its storage position for another three years under terms consistent with the current agreement.

### **Transportation Service**

PNG is required to contract for firm transportation service on the Spectra Energy Corp. ("Spectra") system to move gas supply to its pipeline transmission system and load centres. Currently, PNG has contracted for sufficient T-South capacity to meet its load requirements on the PNG-West system.

PNG notes that Spectra is working on expansion plans for their T-South system to Huntingdon/Sumas. If plans proceed, Spectra may allocate all of the available T-South-to-Summit Lake capacity to the Huntingdon/Sumas border in order to reduce the cost of the expansion. This will leave no capacity available for future load growth on the PNG system, meaning that PNG will have limited options to serve this growth. PNG could request a future expansion by Spectra to Summit Lake or alternatively contract for significantly more expensive Backhaul service from Huntingdon. In order to mitigate this risk, PNG is contemplating contracting for additional T-South capacity in anticipation of future growth predicted by PNG's models. If a decision is made to contract for additional T-South capacity, a separate application will be made to the Commission.

PNG will continue to assess its T-North Long Haul strategy in order to effectively facilitate its storage contract. Discounted third-party capacity has proven to be reliable and cost effective over the past two years. However, if the availability of reliable third-party capacity decreases, PNG may look to contract directly with Spectra.

PNG's contracted T-North Short Haul service remains ample and IT capacity will continue to be used as necessary.

### **Conclusion**

The primary objectives of PNG's ACP 2015 are to contract for a gas supply portfolio with a balanced mix of cost effectiveness and price and term diversity that will ensure safe, secure and reliable gas deliveries to its customers. PNG has proposed a supply portfolio that meets these objectives, including additional resources necessary to meet the forecasted increase in peak demand from the prior year.