



**LETTER L-25-16**

**VIA EMAIL**

jkennedy@png.ca

September 16, 2016

Ms. Janet P. Kennedy  
Vice-President, Regulatory Affairs & Gas Supply  
Pacific Northern Gas Ltd.  
2550 – 1066 West Hastings Street  
Vancouver, BC V6E 3X2

Dear Ms. Kennedy:

Re: Pacific Northern Gas Ltd.  
Third Quarter 2016 Report on Gas Supply Costs for  
PNG-West and Granisle Service Areas

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On September 7, 2016, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (Commission) its Third Quarter 2016 Report on gas supply costs and Gas Cost Variance Account (GCVA) balances, which contained information for its PNG-West and Granisle service areas (Report).

The Commission, by Letters L-5-01 and L-40-11, set out a guideline trigger mechanism and rate change methodology (Guidelines) that has generally been adopted by natural gas and propane utilities including PNG.

In the Report, PNG calculates the total indicative rate for October 1, 2016 for PNG-West residential customers (RS1) to be \$2.313 per gigajoule (GJ), which is an increase of \$0.323/GJ over the current total RS1 rate of \$1.990/GJ. PNG's indicative rates for the remaining rate classes result in indicative rate changes that range from \$0.311/GJ to \$0.443/GJ. PNG recommends that no changes to the gas commodity rates and gas cost rate riders are required for PNG-West in accordance with the \$0.50/GJ minimum rate change threshold established by the Guidelines.

PNG calculates the total indicative rate for October 1, 2016 for Granisle customers to be \$10.390/GJ, which is a decrease of \$1.074/GJ from the current total rate of \$11.464/GJ. The ratio of twelve month forecast revenue from customers using current rates to the sum of the twelve month forecast gas costs and the GCVA balance is within the dead-band range of 0.95 to 1.05 set out in the Guidelines. PNG recommends that no changes to the propane commodity rate and rate rider are required for Granisle, in accordance with the Guidelines, since the dead-band range for the ratio has not been exceeded.

The Commission notes that Order G-197-15 established the current gas commodity rates, GCVA commodity rate rider, and Company Use GCVA gas cost rates and rate rider for PNG-West and Order G-89-16 established the current propane commodity rate and GCVA commodity rate rider for Granisle.

The Commission reviewed the Report taking into account the Guidelines and accepts PNG's recommendations that no changes to the gas commodity rates and gas cost rate riders are required for PNG-West and Granisle. The rates established under the above noted orders will remain unchanged effective October 1, 2016.

Yours truly,

*Original signed by  
Patrick Wruck for:*

Laurel Ross

ES/cms

cc: Mr. Verlon G. Otto  
Director, Regulatory Affairs  
Pacific Northern Gas Ltd.  
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