



**ORDER NUMBER  
G-189-16**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Pacific Northern Gas Ltd.  
Fourth Quarter 2016 Report on Gas Supply Costs  
and Application for RSAM Rate Rider Changes Effective January 1, 2017  
for PNG-West and Granisle Service Areas

**BEFORE:**

D. M. Morton, Commissioner  
H. G. Harowitz, Commissioner  
M. Kresivo, Commissioner  
R. I. Mason, Commissioner  
R. D. Revel, Commissioner

on December 15, 2016

**ORDER**

**WHEREAS:**

- A. On December 5, 2016, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (Commission) its 2016 Fourth Quarter Report on gas supply costs and Gas Cost Variance Account (GCVA) balances for its PNG-West and Granisle service areas, based on forecast natural gas prices using the average of five consecutive days forward price forecasts ending November 28, 2016, and propane price forecasts from the forward strip dated November 25, 2016 (the Gas Cost Report);
- B. By Letters L-5-01 and L-40-11, the Commission set out guidelines for a trigger mechanism and rate setting methodology (Guidelines) that have generally been adopted by natural gas and propane utilities including PNG;
- C. The Commission, by Order G-197-15, established the current gas commodity rates, GCVA commodity rate rider, Company Use GCVA rate rider and Company Use delivery rate for PNG-West, effective January 1, 2016. These gas commodity rates and rate riders for PNG-West were maintained effective April 1, 2016, July 1, 2016 and October 1, 2016 through Letter L-4-16, Order G-89-16, and Letter L-25-16, respectively;
- D. For PNG-West, PNG forecasts the ratio of 12 month forecast commodity cost recovery revenue from customers using current rates to the sum of the 12 month forecast commodity supply costs and the GCVA balance at December 31, 2016 (R/C Ratio) to be 0.724, which is outside the established 0.95 to 1.05 dead band range. In addition, the indicative January 1, 2017 gas cost commodity rate and GCVA commodity rate rider changes required to achieve an R/C Ratio of 1.00 by December 31, 2017 are greater than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG requests approval to increase the gas commodity rates for the PNG-West service area effective January 1, 2017;

- E. For PNG-West, PNG requests approval to decrease the current GCVA commodity credit rate rider from \$0.450/GJ to \$0.156/GJ and to increase the Company Use GCVA debit rate rider from \$0.012/GJ to \$0.031/GJ, effective January 1, 2017;
- F. For PNG-West, PNG requests approval to increase the Company Use gas cost delivery rate, which is a component of the delivery charge, from \$0.060/GJ to \$0.067/GJ and to increase the Company Use commodity price, which is used for price deferral accounting purposes, from \$1.927/GJ to \$2.388/GJ, effective January 1, 2017;
- G. The Commission, by Order G-89-16, established the current propane commodity rate and associated rate rider for Granisle, effective July 1, 2016. The propane commodity rate and rate rider for Granisle were maintained effective October 1, 2016 through Letter L-25-16;
- H. For Granisle, PNG forecasts the R/C Ratio to be 0.898, which is outside the established 0.95 to 1.05 dead band range. In addition, the indicative January 1, 2017 propane cost commodity rate and GCVA commodity rate rider changes required to achieve an R/C Ratio of 1.00 by December 31, 2017 are greater than the \$0.50/GJ threshold set out in the Guidelines;
- I. For Granisle, PNG requests approval to decrease the propane commodity rate and to decrease the current GCVA commodity credit rate rider from \$1.632/GJ to \$0.323/GJ, effective January 1, 2017;
- J. The filing dated December 5, 2016 included an application to increase the Rate Stabilization Adjustment Mechanism (RSAM) rate riders for PNG-West effective January 1, 2017 (the RSAM Application). RSAM rate riders recover from (debit) or return to (credit) customers the balance in the RSAM deferral account, which accumulates the margin impact of variations in the actual versus forecast use-per-account for residential and small commercial customers, primarily due to volatility in weather;
- K. RSAM rate riders are an element of the delivery charge and are generally adjusted annually. Due to variances between forecast and actual natural gas delivery volumes up to November 2016, PNG requests approval to adjust the RSAM rate riders for PNG-West;
- L. The Commission, by Order G-131-16 regarding the PNG 2016-2017 Revenue Requirements and Rates Application, approved the PNG-West 2016 RSAM rate rider on a permanent basis;
- M. PNG requests approval to increase the currently approved RSAM debit rate rider for PNG-West from \$0.337/GJ to \$1.656/GJ, effective January 1, 2017;
- N. The net impact of the requests in the Gas Cost Report and the RSAM Application to a PNG-West residential customer is a rate increase of \$2.093/GJ, effective January 1, 2017. This represents an increase of approximately \$146.51, or 11.7 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 70 GJ;
- O. The total net impact of the requests in the Gas Cost Report, the RSAM Application and the delivery rates approved through Commission Order G-131-16 to a PNG-West residential customer is a rate increase of \$2.306/GJ, effective January 1, 2017. This represents an increase of approximately \$161.42, or 12.9 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 70 GJ;

- P. The net impact of the requests in the Gas Cost Report to a Granisle residential customer is a rate increase of \$1.308/GJ, effective January 1, 2017, which represents an increase of approximately \$50.49, or 5.5 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 38.6 GJ;
- Q. The total net impact of the requests in the Gas Cost Report and the delivery rates approved through Commission Order G-131-16 to a Granisle residential customer is a rate increase of \$1.383/GJ, effective January 1, 2017. This represents an increase of approximately \$53.39, or 5.9 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 38.6 GJ; and
- R. The Commission reviewed the filing and considers that the rate changes requested in the Gas Cost Report and the RSAM Application are warranted.

**NOW THEREFORE** pursuant to sections 59 to 61 of the *Utilities Commission Act*, the British Columbia Utilities Commission orders the following, effective January 1, 2017:

1. In the Pacific Northern Gas Ltd. (PNG) PNG-West service area, the natural gas commodity rates are set as follows:

Customer Rate Class	Commodity Rate
Residential (RS1)	\$2.882/GJ
Commercial Firm (RS2, RS3)	\$2.916/GJ
Small Industrial (RS4)	\$2.752/GJ
Commercial Interruptible (RS5)	\$2.371/GJ
Seasonal Off Peak (RS6)	\$2.500/GJ
NGV (RS7)	\$2.503/GJ

2. In the PNG-West service area, the Gas Cost Variance Account (GCVA) commodity rate rider is set as a credit rate rider of \$0.156/GJ and the Company Use GCVA rate rider is set as a debit rate rider of \$0.031/GJ.
3. In the PNG-West service area, the Company Use gas cost delivery rate and Company Use commodity price are set as \$0.067/GJ and \$2.388/GJ respectively.
4. In the Granisle service area, the propane commodity rate is set at \$13.095/GJ.
5. In the Granisle service area, the GCVA commodity rate rider is set as a credit rate rider of \$0.323/GJ.
6. The Rate Stabilization Adjustment Mechanism (RSAM) rate rider for the PNG-West service area is set as a debit rate rider of \$1.656/GJ.
7. Pacific Northern Gas Ltd. must notify all affected customers of the rate changes by way of a bill insert or bill message with the next monthly billing.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 16<sup>th</sup> day of December 2016.

BY ORDER

*Original signed by:*

D. M. Morton  
Commissioner