



June 16, 2017

Sent via email

Letter L-9-17

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

Re: Pacific Northern Gas Ltd. - PNG - West and Granisle Service Areas - Second Quarter 2017 Report on Gas Supply Costs

Dear Ms. Kennedy:

On June 7, 2017, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (Commission) its Second Quarter 2017 Report on Gas Supply Costs and the 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 Guidelines for Setting Gas Recovery Rates and Managing the Gas Cost Reconciliation Account Balance (Guidelines) which includes a trigger mechanism and rate change methodology that has generally been adopted by natural gas and propane utilities including PNG.

In the Report, for the PNG-West service area PNG forecasts the ratio of the 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 June 30, 2017 (R/C Ratio) to be 1.004. The R/C Ratio is inside the dead band range of 0.95 to 1.05 set out in the Guidelines. PNG recommends that no changes to the PNG-West gas commodity rates and gas cost rate riders be made at this time.

For the Granisle service area PNG forecasts the ratio of the 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 June 30, 2017 (R/C Ratio) to be 0.877. The R/C Ratio is outside the dead band range of 0.95 to 1.05 set out in the Guidelines. However the total indicative gas cost and GVRA rate rider rate change is an increase of \$0.213/GJ which is less than the \$0.50/GJ threshold set out in the Guidelines. PNG recommends that no changes to the PNG-West gas commodity rates and gas cost rate riders be made at this time.

The Commission notes that Order G-189-16 established the current gas commodity rates; GCVA commodity rate rider; Company Use GCVA gas cost rates and rate rider for PNG-West while Order G-36-17 established the current gas commodity rates 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 July 1, 2017.

Original signed by Katie Berezan on behalf of:

Patrick Wruck
Commission Secretary

CM/kn