



June 15, 2018

Sent via email

**Letter L-9-18**

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 – PNG-West and Granisle Propane Service Areas – Second Quarter 2018 Report on Gas Supply Costs**

Dear Ms. Kennedy:

On June 5, 2018, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (BCUC) its Second Quarter 2018 Report on Gas Supply Costs and the Gas Cost Variance Account (GCVA) balances, which contained information for its PNG-West and Granisle Propane service areas (Report).

The BCUC, 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 Pacific Northern Gas (N.E.) Ltd.

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, 2018 (R/C Ratio) to be 0.932. The R/C Ratio is outside the dead band range of 0.95 to 1.05 set out in the Guidelines. The total indicative gas cost and GCVA commodity rate rider for all customer classes ranges from \$0.018/GJ to \$0.190/GJ, which is inside 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.

For the Granisle Propane service area, PNG forecasts the R/C Ratio to be 1.008. The R/C Ratio is within the dead band range of 0.95 to 1.05 set out in the Guidelines. The total indicative gas cost and GCVA commodity rate rider for all customer classes is \$0.171/GJ, which is inside the \$0.50/GJ threshold set out in the Guidelines. PNG recommends that no changes to the Granisle Propane gas commodity rates and gas cost rate riders to be made at this time.

The BCUC notes that Order G-186-17 established the current gas commodity rates, GCVA commodity rate rider and Company Use gas cost rates and rate rider for both of the PNG-West and Granisle Propane service areas.

The BCUC 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 both of the PNG-West and Granisle

Propane service areas. The rates established under the above noted order will remain unchanged effective July 1, 2018.

Sincerely,

*Original signed by:*

Patrick Wruck  
Commission Secretary

ML/dg