

September 13, 2018

Sent via email

Letter L-25-18

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 (N.E.) Ltd. – PNG (N.E.) – Fort St John/Dawson Creek and Tumbler Ridge Service Areas – Third Quarter 2018 Report on Gas Supply Costs

Dear Ms. Kennedy:

On September 5, 2018, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (BCUC) its Third Quarter 2018 Report on Gas Supply Costs and the Gas Cost Variance Account (GCVA) balances, which contained information for its Fort St John/Dawson Creek and Tumbler Ridge 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 PNG (N.E.).

In the Report, for the Fort St John/Dawson Creek (FSJ/DC) service area PNG (N.E.) 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 August 31, 2018 (R/C Ratio) to be 0.889. 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 \$0.241/GJ to \$0.281/GJ, which is below the \$0.50/GJ threshold set out in the Guidelines. PNG (N.E.) recommends that no changes to the FSJ/DC gas commodity rates and gas cost rate riders be made at this time.

For the Tumbler Ridge (TR) service area PNG (N.E.) forecasts the R/C Ratio to be 0.790. 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 GCVA commodity rate rider for all customer classes is \$0.429/GJ, which is below the \$0.50/GJ threshold set out in the Guidelines. PNG (N.E.) recommends that no changes to the TR gas commodity rates and gas cost rate riders to be made at this time.

The BCUC notes that Order G-187-17 established the current gas commodity rates, GCVA commodity rate rider and Company Use gas cost rates and rate rider for both of the FSJ/DC and TR service areas.

The BCUC reviewed the Report taking into account the Guidelines and accepts PNG (N.E.)'s recommendations that no changes to the gas commodity rates and gas cost rate riders are required for both of the FSJ/DC and TR service areas. The rates established under the above noted order will remain unchanged effective October 1, 2018.

The BCUC notes that PNG included a projected GCVA balance up to September 30, 2018 in their Report. Moving forward, the BCUC requests that PNG also include a rolling 12-month projection of the GCVA balance in their future Gas Cost Reports.

Sincerely,

Original signed by

Patrick Wruck
Commission Secretary

ML/jo