



ORDER NUMBER
G-238-20A

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

and

Pacific Northern Gas (N.E.) Ltd.
Third Quarter 2020 Gas Supply Costs
for Fort St. John/Dawson Creek and Tumbler Ridge Service Areas

BEFORE:

B. A. Magnan, Panel Chair
C. Brewer, Commissioner

on September 18, 2020

ORDER

WHEREAS:

- A. On September 8, 2020, Pacific Northern Gas (N.E.) Ltd. (PNG[NE]) filed with the British Columbia Utilities Commission (BCUC) its 2020 third Quarter Gas Supply Costs and Gas Cost Variance Account (GCVA) balances for its Fort St. John/Dawson Creek (FSJ/DC) and Tumbler Ridge (TR) service areas, based on the average of five consecutive days of forward natural gas forecasts ended August 28, 2020 (Q3 Gas Cost Report);
- B. The BCUC established guidelines for gas cost rate setting in Letter L-5-01 dated February 5, 2001, and further modified the guidelines in Letter L-40-11 dated May 19, 2011 (together, the Guidelines). The Guidelines include two mechanisms that must be met in order to trigger a rate change:
 - I. The ratio of the 12-month gas cost recovery revenues using current rates against the sum of the 12-month forecast gas supply costs and the GCVA balance at the end of the current quarter (R/C Ratio) must fall outside a dead band range of 0.95 to 1.05; and
 - II. Indicative changes to gas cost commodity rates and GCVA rate riders required to reset the R/C Ratio to 1.00 over a 12-month period must exceed a \$0.50/GJ absolute change threshold;
- C. By Order G-161-20, the BCUC approved the current gas commodity rates, GCVA commodity rate rider and Company use GCVA rate rider for the FSJ/DC and TR service areas effective July 1, 2020.
- D. For FSJ/DC, PNG(NE) forecasts the R/C Ratio to be 0.878, which is outside the established 0.95 to 1.05 dead band range. Changes to the indicative gas cost commodity rates and GCVA rate riders required to reset the R/C Ratio to 1.00 by September 30, 2021 are lower than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG(NE) recommends no change to the current gas commodity rates for the FSJ/DC service area, effective October 1, 2020;

- E. For FSJ/DC, PNG(NE) recommends retaining the current GCVA commodity rate rider of \$0.089/GJ, and retaining the current Company use GCVA gas cost rate rider of \$0.016/GJ, effective October 1, 2020;
- F. For FSJ/DC, PNG(NE) recommends retaining the current Company use gas cost delivery rate of \$0.036/GJ and retaining the Company use gas commodity price used for price deferral accounting purposes of \$1.768/GJ;
- G. For TR, PNG(NE) forecasts the R/C Ratio to be 0.900, which is outside the established 0.95 to 1.05 dead band range. Changes to the indicative gas cost commodity rates and GCVA rate riders required to reset the R/C Ratio to 1.00 by September 30, 2021 are greater than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG(NE) recommends a change to the current gas commodity rates for the TR service area, effective October 1, 2020;
- H. For TR, PNG(NE) recommends increasing the current GCVA commodity rate rider from a credit rider of \$0.066/GJ to a credit rider of \$0.079/GJ, and decreasing the current Company use GCVA gas cost rate rider from a credit rider of \$0.135/GJ to a credit rider of \$0.021/GJ, effective October 1, 2020;
- I. For TR, PNG(NE) recommends retaining the current Company use gas cost delivery rate of \$0.504/GJ and retaining the Company use gas commodity price used for price deferral accounting purposes of \$3.038/GJ; and
- J. The BCUC has reviewed PNG(NE)'s Q3 Gas Cost Report and views the changes to the rates as recommended by PNG(NE), effective October 1, 2020, are warranted.

NOW THEREFORE pursuant to section 61(4) of the UCA, the BCUC orders the following, effective October 1, 2020:

- 1. In the FSJ/DC service area, no changes are required for the natural gas commodity rates and gas cost rate riders.
- 2. In the FSJ/DC service area, no changes are required to the GCVA commodity rate rider and the Company use GCVA rate rider.
- 3. In the FSJ/DC service area, no changes are required to the Company use gas cost delivery rate and the Company use gas commodity price.
- 4. In the TR service area, the gas commodity rates for the residential (RS1), small commercial (RS2) and large commercial (RS3) customers are changed to \$4.138/GJ.
- 5. In the TR service area, the GCVA commodity rate rider is changed to a credit rider of \$0.079/GJ and the Company use GCVA rate rider is changed to a credit rider of \$0.021/GJ.
- 6. In the TR service area, no changes are required to the Company use gas cost delivery rate and the Company use gas commodity price.
- 7. PNG(NE) must notify all customers that are affected by the rate change by way of a bill insert or bill message included with the next monthly billing.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of September 2020.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner