



**ORDER NUMBER
G-255-20**

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

and

Pacific Northern Gas Ltd.
2020-2021 Revenue Requirements Application
for the PNG-West Division

BEFORE:

A. K. Fung, QC, Panel Chair
C. Brewer, Commissioner
M. Kresivo, QC, Commissioner

on October 14, 2020

ORDER

WHEREAS:

- A. On November 29, 2019, Pacific Northern Gas Ltd. (PNG) filed its 2020-2021 Revenue Requirements Application (RRA) with the British Columbia Utilities Commission (BCUC) for the West Division (PNG-West) pursuant to sections 58 to 61, 89 and 90 of the *Utilities Commission Act* (UCA) (Original Application);
- B. By Order G-330-19A, the BCUC approved PNG's delivery rates and Rate Stabilization Adjustment Mechanism (RSAM) on an interim and refundable/recoverable basis effective January 1, 2020, and established a regulatory timetable for the review of the Original Application, which included dates for intervenor registration, filing an amended application, BCUC and intervenor information requests (IR) No. 1 and 2, and PNG responses to IRs;
- C. British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and Tenants Resource and Advisory Centre (BCOAPO et al.) participated as the sole intervenor in the proceeding;
- D. On February 28, 2020, PNG filed its amended application for approval of 2020 and 2021 (Test Period) delivery rates on a permanent basis (Application);
- E. By Orders G-95-20, G-116-20 and BCUC letter dated June 2, 2020, the BCUC established the remainder of the regulatory process, including Panel IRs and written final and reply arguments;
- F. On June 16, 2020, PNG filed an evidentiary update addressing two errors that pertain to the modelling of certain IT-related capital additions and income tax deductions that impact 2020 and 2021 delivery rates;
- G. By Order G-158-20, the BCUC re-opened the evidentiary record and amended the regulatory timetable to include BCUC and intervenor IRs on the evidentiary update and supplemental PNG final argument and revised dates for intervenor and reply arguments;

- H. On July 31, 2020, the BCUC re-opened the evidentiary record to issue Panel IR No. 2 and amended the regulatory timetable to request written supplementary final and reply arguments limited in scope to the matters related to Panel IR No. 2; and
- I. The BCUC has considered the Application, evidence and submissions of the parties and makes the following determinations.

NOW THEREFORE pursuant to sections 58 to 61 of the UCA and for the reasons provided in the decision issued concurrently with this Order, the BCUC orders as follows:

1. PNG is approved to recover the 2020 revenue requirement and the resultant delivery rate changes on a permanent basis, effective January 1, 2020, as filed in the Application and subject to the following:
 - the adjustments identified by PNG during the regulatory process, as summarized in Appendix A to the decision issued concurrently with this Order; and
 - the directives and determinations outlined in this Order and the decision issued concurrently.
2. PNG is approved to recover on a permanent basis the 2020 RSAM rate rider set forth in the Application, effective January 1, 2020.
3. PNG is approved to recover the 2021 revenue requirement and the resultant delivery rate changes on a permanent basis, effective January 1, 2021, as filed in the Application and subject to the following:
 - the adjustments identified by PNG during the regulatory process, as summarized in Appendix A to the decision issued concurrently with this Order; and
 - the directives and determinations outlined in this Order and the decision issued concurrently.
4. PNG is approved to recover on a permanent basis the 2021 RSAM rate rider set forth in the Application, effective January 1, 2021.
5. PNG is approved to smooth rates over the Test Period in accordance with section 6.1 of the decision issued concurrently with this Order.
6. PNG is approved to capitalize costs arising from magnetic flux leakage in line inspection runs to BCUC Account 469 for depreciation over a ten-year period.
7. PNG is approved to recover total Shared Corporate Services Costs of \$1.835 million in 2020 and \$1.872 million in 2021 including the proposed allocation of costs between PNG-West and the Pacific Northern Gas N.E. Ltd. divisions using the allocation methodology previously approved by Order G-114-13.
8. PNG is approved to establish a new Shared Corporate Services Costs deferral account with a three-year amortization period and accruing interest at PNG's Weighted Average Cost of Debt and to record its portion of the consolidated Shared Corporate Services Costs of \$676,000 in 2020 and \$700,000 in 2021 in the deferral account.
9. PNG is directed to file annually a report on significant capital projects with total costs of \$500,000 or more as part of its Annual Report on or before April 30, including but not limited to the information outlined in section 4.2 of the decision issued concurrently with this Order. For any capital projects that are required to be included in the report but are not included due to timing reasons, PNG is directed to file details of these projects at least 30 days before construction commences.
10. PNG is directed to update the interest rate forecasts in its final regulatory schedules to reflect the BMO March 2020 forecast interest rates.

11. PNG is directed to file a report with the BCUC detailing the results of its review of 2019 unaccounted for gas losses by December 31, 2020, including the information outlined in section 5.1 of the decision.
12. PNG is approved to re-instate a Transfer Pricing deferral account bearing interest at PNG's short term interest rate to record the difference between forecast and actual utility charges to non-regulated services or activities, which is to be amortized over one year of the revenue requirement test period.
13. PNG is approved to establish an Accelerated Capital Cost Allowance deferral account in accordance with section 5.3 of the decision.
14. PNG is approved to close the Triton Liquefied Natural Gas Project Amendment Sharing deferral account.
15. PNG is approved to record additions of \$725,000 in 2020 and \$275,000 in 2021 in the existing Reactivated Capacity Allocation Process Development Cost rate base deferral account.
16. PNG is directed to re-calculate the 2020 and 2021 revenue requirements and delivery rate changes reflecting the directives and determinations outlined in this Order and further described in the Decision issued concurrently and file revised regulatory schedules with the BCUC for endorsement within 30 days of this Order.
17. PNG is directed to file the following information in its next RRA:
 - a report detailing the information for specific IT projects outlined in section 2.1 of the decision; and
 - the updated Distribution Integrity Management and Transmission Integrity Management plans and a progress update regarding the Pipeline Segment by Segment Risk Assessment, the Aged Pipeline Condition Assessment and the Integrity Management Plan Audit as outlined in section 2.2 of the decision.
18. PNG is directed to collect from/refund to customers the difference between the interim and permanent 2020 RSAM rate rider at the average prime rate of PNG's principal bank for its most recent year.
19. PNG must inform all customers of permanent 2020 and 2021 delivery rates by way of written notice to be included with their next customer invoice after PNG's compliance filing has been accepted by the BCUC.
20. PNG is directed to comply with all other directives contained in the decision issued concurrently with this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of October 2020.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner