



ORDER NUMBER

G-263-20

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Pacific Northern Gas (N.E.) Ltd.
2020-2021 Revenue Requirements Application
for the Fort St. John/Dawson Creek and Tumbler Ridge Divisions

BEFORE:

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

on October 21, 2020

ORDER

WHEREAS:

- A. On November 29, 2019, Pacific Northern Gas (N.E.) Ltd. [PNG(NE)] filed its 2020-2021 Revenue Requirements Application (RRA) with the British Columbia Utilities Commission (BCUC) for the Fort St. John/Dawson Creek (FSJ/DC) and Tumbler Ridge (TR) Divisions pursuant to sections 58 to 61, 89 and 90 of the *Utilities Commission Act* (UCA) (Original Application);
- B. By Order G-331-19 the BCUC approved PNG(NE)'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 intervener registration, filing an amended application, BCUC and intervener information request (IR) No. 1 and 2, and PNG(NE) 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 an intervener in the proceeding;
- D. On February 28, 2020, PNG(NE) filed its amended application for approval of 2020 and 2021 (Test Period) delivery rates on a permanent basis (Application);
- E. By Order G-96-20, the BCUC established the remainder of the regulatory process including written final and reply arguments;
- F. By letter dated June 10, 2020, the Panel indicated specific factors it considered helpful for the parties to discuss as part of their final arguments;
- G. On June 16, 2020, PNG(NE) filed an evidentiary update addressing an error that pertains to the modelling and calculation of certain IT-related capital additions and income tax deductions that impact 2020 and 2021 delivery rates;

- H. By Order G-159-20, the BCUC re-opened the evidentiary record and amended the regulatory timetable to include BCUC and intervener IRs on the evidentiary update, and revised dates for intervener and reply arguments; 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(NE) is approved to recover the 2020 revenue requirement and the resultant delivery rate changes on a permanent basis, for the FSJ/DC and TR Divisions, effective January 1, 2020, as filed in the Application and subject to the following:
 - the adjustments identified by PNG(NE) 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(NE) is approved to recover on a permanent basis the 2020 RSAM rate rider set forth in the Application, effective January 1, 2020.
3. PNG(NE) is approved to recover the 2021 revenue requirement and resultant delivery rate changes on a permanent basis, for the FSJ/DC and TR Divisions, effective January 1, 2021, as filed in the Application and subject to the following:
 - the adjustments identified by PNG(NE) 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(NE) is approved to recover on a permanent basis the 2021 RSAM rate rider set forth in the Application, effective January 1, 2021.
5. PNG(NE) is directed to update the interest rate forecasts in its final regulatory schedules to reflect the BMO March 2020 forecast interest rates.
6. PNG(NE) 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 2.2 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(NE) is directed to file with the BCUC details of these projects at least 30 days before construction commences.
7. PNG(NE) is approved to recover shared services charged by Pacific Northern Gas Ltd. (PNG) to PNG(NE) for the Test Period using the cost allocation and recovery methodology approved by Order G-114-13. This includes the Shared Corporate Services Costs allocated to PNG from its parent TriSummit Utilities Inc. (TSU), as follows:
 - FSJ/DC Division – \$634,000 in 2020 and \$624,000 in 2021; and
 - TR Division – \$41,000 in 2020 and \$42,000 in 2021.
8. PNG(NE) is approved to establish a new Shared Corporate Services Costs deferral account with a three-year amortization period and accruing interest at PNG(NE)'s Weighted Average Cost of Debt for each of the FSJ/DC and TR Divisions and to record their respective portions of the Shared Corporate Services Costs allocated to PNG from its parent, TSU, as follows:

- FSJ/DC Division – \$377,000 in 2020 and \$374,000 in 2021; and
 - TR Division – \$24,000 in 2020 and \$25,000 in 2021.
9. PNG(NE) is directed to update its final regulatory schedules to reflect the new anticipated timing of the Automated Meter Reading project and the impact on Test Period forecast capital and operating cost(s)/savings, for both the FSJ/DC and TR Divisions, in accordance with section 3.2.1 of the decision.
 10. PNG(NE) is approved to establish a rate deferral mechanism for each of its divisions, as set out in section 3.3.1 of the decision.
 11. PNG(NE) is approved to establish an Accelerated Capital Cost Allowance deferral account for each of the FSJ/DC and TR Divisions, in accordance with section 3.3.2 of the decision.
 12. PNG(NE) is approved to close the Studies deferral account.
 13. PNG(NE) 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.
 14. PNG(NE) is directed to file the following information in its next RRA:
 - a progress update regarding the Pipeline Segment by Segment Risk Assessment and the Integrity Management Plan Audit outlined in section 2.1.1 of the decision;
 - a report detailing the information for specific IT projects outlined in section 2.1.2 of the decision; and
 - a breakdown of the Test Period costs and cost reductions related to the Automated Meter Reading project as outlined in section 3.2.1 of the decision.
 15. PNG(NE) is directed to collect from/refund to customers the difference between the 2020 interim delivery rates and the 2020 permanent delivery rates over the balance of the Test Period together with the difference between the interim and permanent 2020 RSAM rate rider at the average prime rate of PNG(NE)'s principal bank for its most recent year.
 16. PNG(NE) 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(NE)'s compliance filing has been accepted by the BCUC.
 17. PNG(NE) 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 21st day of October 2020.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner