



**ORDER NUMBER**  
**G-162-22**

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

and

Pacific Northern Gas Ltd.  
Second Quarter 2022 Gas Supply Costs for PNG-West and Granisle Service Areas

**BEFORE:**

B. A. Magnan, Panel Chair  
T. A. Loski, Commissioner  
A. Pape-Salmon, Commissioner

on June 16, 2022

**ORDER**

**WHEREAS:**

- A. On June 7, 2022, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (BCUC) its 2022 Second Quarter Gas Supply Costs and Gas Cost Variance Account (GCVA) balances for its PNG-West and Granisle service areas, based on five consecutive days of a forward gas price forecast ended June 6, 2022 and a forward propane price forecast ended June 3, 2022 (the 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. Under Letter L-15-16 dated June 17, 2016, the BCUC approved the use of a 24-month outlook by FortisBC Energy Inc. (FEI) in times of significant changes in forecast commodity costs. L-15-16 also established criteria to be considered for using a timeframe of 24 months rather than the standard 12-month prospective period (24 Month Criteria). L-15-16 also states that other gas and propane utilities may also apply for application of the guideline revisions to the extent practicable when filing their gas cost reports and commodity rate change applications;

- D. In response to a significant increase in forward natural gas prices from the forward prices used in the PNG First Quarter 2022 Gas Cost Report, PNG has undertaken an evaluation of the applicability of the 24 Month Criteria approved in L-15-16 in the Gas Cost Report and has established that the 24 Month Criteria are met for both the natural gas and propane rates recommended effective July 1, 2022;
- E. PNG has proposed to apply a 24-month prospective period for natural gas costs rather than the traditional 12-month forecast period as a mechanism to mitigate increases to natural gas customer rates effective July 1, 2022. For consistency, PNG has proposed to make use of a 24-month prospective period for propane costs as well;
- F. To align with the 24-month prospective period for commodity cost forecasting, PNG has also proposed a 24-month amortization period for the determination of the GCVA Commodity riders and the GCVA Company Use riders rather than the traditional 12-amortization period;
- G. By Order G-79-22, the BCUC approved the current gas commodity rates, GCVA commodity rate rider and Company Use GCVA rate rider for PNG-West, effective April 1, 2022, and also approved the current propane commodity rate and associated GCVA commodity rate rider for Granisle, effective April 1, 2022;
- H. By Order G-375-21, the BCUC approved the current Company Use gas cost delivery rate and the Company Use gas commodity price used for price deferral accounting purposes for PNG-West, effective January 1, 2022;
- I. For PNG-West, PNG forecasts the R/C Ratio to be 0.788, 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 June 30, 2024 are greater than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG recommends a change to the current gas commodity rates for the PNG-West service, effective July 1, 2022;
- J. For PNG-West, PNG recommends increasing the current GCVA commodity rate rider from a debit rider of \$0.233/GJ to a debit rider of \$0.281/GJ and decreasing the current Company use GCVA gas cost rate rider from a debit rider of \$0.011/GJ to a debit rider of \$0.003/GJ, effective July 1, 2022;
- K. For PNG-West, PNG recommends retaining the current Company use gas cost delivery rate of \$0.191/GJ and retaining the Company use gas commodity price used for price deferral accounting purposes of \$3.924/GJ;
- L. For Granisle, PNG forecasts the R/C Ratio to be 1.132, which is outside the established 0.95 to 1.05 dead band range. Changes to the indicative propane cost commodity rate and GCVA rate rider required to reset the R/C Ratio to 1.00 by June 30, 2024, are more than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG recommends a change to the current propane commodity rate for the Granisle service area from \$23.363/GJ to \$22.944/GJ, effective July 1, 2022;
- M. For Granisle, PNG recommends decreasing the current GCVA commodity rate rider from a debit rider of \$2.499/GJ to a credit rider of \$0.091/GJ; and
- N. The BCUC has reviewed PNG's Gas Cost Report and views that the changes to the rates as recommended by PNG in the Gas Cost Report, effective July 1, 2022, are warranted.

**NOW THEREFORE** pursuant to section 61(4) of the *Utilities Commission Act*, the BCUC orders the following, effective July 1, 2022:

1. PNG is approved to apply the criteria established under BCUC Letter L-15-16 in making an assessment as to the applicability of a 24-month outlook for forecast commodity costs and is approved to make use of a 24-month commodity cost outlook to establish commodity rate changes effective July 1, 2022 as the criteria have been met.
2. PNG is approved to apply a 24-month amortization period for the determination of the GCVA Commodity riders and the GCVA Company Use riders to align with the 24-month outlook for commodity costs.
3. In the PNG-West service area, the gas commodity rates are changed to:

Customer Rate Class	Commodity Rate (per GJ)
Residential (RS1)	\$6.657
Commercial Firm (RS2, RS3)	\$6.509
Small Industrial (RS4)	\$5.984
Commercial Interruptible (RS5)	\$5.711
Seasonal Off Peak (RS6)	\$5.586
NGV (RS7)	\$5.832

4. In the PNG-West service area, the GCVA commodity rate rider is changed to a debit rider of \$0.281/GJ and the Company use GCVA rate rider is changed to a debit rider of \$0.003/GJ.
5. In the PNG-West service area, no changes are required to the Company use gas cost delivery rate and the Company use gas commodity price.
6. In the Granisle service area, the propane commodity rate is changed to \$22.944/GJ and the GCVA commodity rate rider is changed to a credit rider of \$0.091/GJ.
7. PNG must notify all customers that are affected by the rate changes 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 16<sup>th</sup> day of June 2022.

BY ORDER

*Original signed by:*

B. A. Magnan  
Commissioner