



ORDER NUMBER
G-264-22

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

and

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

BEFORE:

B. A. Magnan, Panel Chair
E. B. Lockhart, Commissioner

on September 22, 2022

ORDER

WHEREAS:

- A. On September 8, 2022, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (BCUC) its 2022 Third 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 natural gas price forecast ending August 26, 2022 and a forward strip propane price forecast at August 26, 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. By Order G-162-22 dated June 16, 2022, the BCUC approved PNG's request 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 in PNG's 2022 Second Quarter Gas Cost Report. Order G-162-22 also approved PNG's use of a 24-month commodity cost outlook to establish commodity rate changes effective July 1, 2022 and the application of 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;
- E. Given sustained strength and volatility in natural gas forward prices, the Gas Cost Report presented PNG's request for continued application of the 24 Month Criteria approved in BCUC Letter L-15-16. 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 October 1, 2022. For consistency, PNG has proposed to make use of a 24-month prospective period for propane costs as well. The Gas Cost Report also presented PNG's analysis to establish that the 24 Month Criteria are met for both the natural gas and propane rates recommended effective October 1, 2022;
- F. To align with the 24-month prospective period for commodity cost forecasting, PNG has also proposed continued application of 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-162-22, the BCUC also approved the current gas commodity rates, GCVA Commodity rate rider and Company use GCVA rate rider for PNG-West, effective July 1, 2022, and also approved the current propane commodity rate and associated GCVA Commodity rate rider for Granisle, effective July 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 1.004, which is within 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, 2024 are less than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG recommends no change to the current gas commodity rates for the PNG-West service, effective October 1, 2022;
- J. For PNG-West, PNG recommends retaining the current GCVA Commodity debit rate rider of \$0.281/GJ and retaining the current Company use GCVA gas cost debit rate rider of \$0.003/GJ;
- 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 1.070, 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 September 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 \$22.944/GJ to \$21.179/GJ, effective October 1, 2022;
- M. For Granisle, PNG recommends increasing the current GCVA Commodity rate rider from a credit rider of \$0.091/GJ to a debit rider of \$0.179/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 October 1, 2022, are warranted.

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

1. PNG is approved to continue 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 October 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, no changes are required to the natural gas commodity rates;
4. In the PNG-West service area, no changes are required to the GCVA Commodity rate rider and the Company use GCVA rate rider;
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 from \$22.944/GJ to \$21.179/GJ and the GCVA commodity rate rider is changed from a credit rider of (\$0.091)/GJ to a debit rider of \$0.179/GJ; and
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 22nd day of September 2022.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner