



ORDER NUMBER
G-339-22

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

and

Pacific Northern Gas Ltd. and
Pacific Northern Gas (N.E.) Ltd.
Application for Approval of a Low Carbon Energy Cost Recovery Mechanism and
Biomethane Purchase Agreements

BEFORE:

R. I. Mason, Panel Chair
A. C. Dennier, Commissioner
M. Kresivo, KC, Commissioner

on November 25, 2022

ORDER

WHEREAS:

- A. On November 17, 2021, Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. (collectively, PNG) submitted an application to the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA) seeking approval of a Low Carbon Energy Cost Recovery Mechanism, and pursuant to section 71 of the UCA and the BCUC Rules for Natural Gas Energy Supply Contracts, seeking approval of Biomethane Purchase Agreements (BPAs) with ATCO Future Fuel RNG Limited Partnership (ATCO) and Tidal Energy Marketing Inc. (Tidal) (Application);
- B. In its Application, PNG requests, among other things, approval for:
- i. The cost recovery methodology related to the cost of acquiring Low Carbon Energy and its recovery, through rates, from PNG customers;
 - ii. A non-rate base deferral account to capture the costs incurred by PNG to acquire Low Carbon Energy, and the revenues collected through the Low Carbon Commodity Charge, and thereby accumulate any differences (the “Low Carbon Energy Cost Variance Account”);
 - iii. The Low Carbon Commodity Charge rate setting mechanism with the Low Carbon Commodity Charge set at \$27.50 per gigajoule;
 - iv. The Low Carbon Energy Cost Variance Account balance quarterly reporting process and the Low Carbon Energy Recovery Charge rate setting mechanism on a basis consistent with the Company’s existing gas cost reporting and rate setting mechanisms;
 - v. The allocation of costs to all customers and the accounting treatment of those costs;
 - vi. The new Rate Schedules RS1-LCE, RS2-LCE, RS3-LCE, RS4-LCE, RS5-LCE and RS6-LCE; and

- vii. The proposed amendments to PNG's General Terms and Conditions to include the addition of new definitions relating to the Low Carbon Energy Service, and the introduction of a Section 24 – Low Carbon Energy Service;
- C. By Orders G-6-22, G-90-22, G-138-22 and G-141-22, the BCUC established a written hearing process to review the Application. The regulatory timetable included intervener registration, two rounds of information requests, final and reply submissions on the BPAs, submissions on further process, final and reply arguments;
- D. BC Sustainable Energy Association, FortisBC Energy Inc., and the Residential Consumer Intervener Association registered as interveners in the proceeding;
- E. By Order E-7-22 dated April 1, 2022, the BCUC accepted the BPAs for filing as prescribed undertakings pursuant to section 71 of the UCA, the BCUC Rules for Natural Gas Energy Supply Contracts, section 18 of the *Clean Energy Act* and the Greenhouse Gas Reduction (Clean Energy) Regulation;
- F. The BCUC has considered the Application, evidence and submissions of the parties and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the UCA, and for the reasons set out in the decision (Decision) issued concurrently with this order, the BCUC orders as follows:

1. PNG is approved to dispose of Low Carbon Energy acquired in accordance with the directives and determinations in the Decision.
2. PNG is approved to create the Low Carbon Energy Cost Variance Account, a non-rate base regulatory account bearing interest at PNG's short term interest rate applied to both debit and credit balances, and to capture costs and revenues associated with the Low Carbon Energy program in the Low Carbon Energy Cost Variance Account in accordance with the directives and determinations in the Decision.
3. PNG is approved to use an adjustment mechanism for the Low Carbon Commodity Charge, whereby the Low Carbon Energy costs and recoveries are reviewed on an annual basis as part of PNG's quarterly gas cost reporting to the BCUC.
4. PNG is approved to charge a Low Carbon Commodity Charge of \$27.50 per gigajoule.
5. PNG is approved to use an adjustment mechanism for the Low Carbon Energy Cost Recovery Rider, whereby the Low Carbon Energy costs and recoveries are reviewed on an annual basis as part of PNG's quarterly gas cost reporting to the BCUC.
6. PNG is approved to levy an initial Low Carbon Energy Cost Recovery Rider of \$0.00 per gigajoule.
7. PNG is directed to collect the Low Carbon Energy Cost Recovery Rider from all its non-bypass customers, including those in its Granisle and Tumbler Ridge service areas.
8. PNG is directed to submit a rate schedule for providing Low Carbon Energy service to Tumbler Ridge ratepayers as a compliance filing.
9. PNG is directed to allocate Low Carbon Energy to company use gas for Tumbler Ridge ratepayers on the same basis that it allocates Low Carbon Energy to company use gas for all other ratepayers.

10. PNG is directed to file a Rate Schedule for off-system sales of Low Carbon Energy for review and approval by the BCUC if it wishes to sell Low Carbon Energy to parties that are not public utilities.
11. PNG is approved to use the new rate schedules for the Smart Energy program as set out in Section 6.2.1 of the Application and the BCUC consents to the modifications to PNG's general terms and conditions, subject to the directives and determinations in the Decision.
12. PNG is directed to file updated rate schedules for the Smart Energy program, in accordance with the directives and determinations in the Decision, as a compliance filing within 30 days of the issuance of the Decision.
13. PNG is directed to provide details of its Low Carbon Energy program in its annual report to the BCUC in accordance with the directives and determinations in the Decision.
14. PNG is directed to file with the BCUC, by June 30, 2026, an analysis of its Low Carbon Energy program from the date of its inception to December 31, 2025, in accordance with the directives and determinations in the Decision.
15. PNG is to comply with all directives and determinations set out in the Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of November 2022.

BY ORDER

Original signed by:

R. I. Mason
Commissioner