



August 8, 2023

Sent via email

Letter L-41-23

Mr. Verlon Otto
Director, Regulatory Affairs
Pacific Northern Gas Ltd.
750 - 888 Dunsmuir Street
Vancouver, BC V6C 3K4

Re: Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. – 2023/2024 Annual Gas Contracting Plan

Dear Mr. Otto:

On July 7, 2023, Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. (PNG) filed on a confidential basis its Annual Gas Contracting Plan (ACP) for the period from November 2023 to October 2024 (2023-2024 ACP). PNG's 2023-2024 ACP outlines plans to meet the natural gas requirements for PNG's service areas, including PNG-West and Pacific Northern Gas (N.E.) Ltd. [PNG(NE)] as well as propane requirements for its Granisle service area. PNG(NE) includes the Fort St. John and Dawson Creek and Tumbler Ridge service areas. PNG also provided a non-confidential executive summary of the 2023-2024 ACP.

The British Columbia Utilities Commission (BCUC) reviewed the filing and accepts PNG's 2023-2024 ACP as in the public interest.

In PNG's next ACP for the period November 2024 to October 2025 (2024-2025 ACP), the BCUC requests PNG to include:

- Further updates on transportation service developments and the impact of such developments on PNG's supply procurement plans, including a review of alternative options if necessary;
- A detailed evaluation and update of the supply portfolio and purchasing strategy for the Granisle propane service area; and
- An analysis of the performance of PNG's storage contract and related transportation and gas purchase arrangements to date together with an updated evaluation of the projected value of the storage contract for the remaining term of the storage contract.

The BCUC will hold the 2023-2024 ACP and associated documents confidential as requested by PNG as they contain market sensitive information. A copy of the non-confidential executive summary of the 2023-2024 ACP is attached to this letter and is available to the public.

PNG is encouraged to meet with BCUC staff prior to submitting the 2024-2025 ACP to ensure the filing adequately addresses BCUC requests and directives.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

DC/db
Attachment

EXECUTIVE SUMMARY

General

Pacific Northern Gas Ltd. (PNG) hereby submits and seeks acceptance from the British Columbia Utilities Commission (BCUC) of its Annual Gas Contracting Plan (ACP 2023) that covers the period from November 2023 to October 2024 (2023/24 Gas Year). ACP 2023 encompasses PNG's plan to meet the natural gas requirements for all of PNG's service areas, including PNG-West (west of Summit Lake) and Pacific Northern Gas (N.E.) Ltd. (PNG(NE)), which includes the Fort St. John and Dawson Creek (FSJ/DC) and Tumbler Ridge (TR) service areas.

The objectives of ACP 2023 are as follows:

- 1) To provide cost-effective gas supply resources that ensure secure and reliable gas deliveries to customers;
- 2) To provide a balanced mix of price diversity and cost effectiveness in the portfolio;
and
- 3) To diversify PNG's supply portfolio and transportation capacity contracts to incorporate longer and shorter terms to allow for contracting flexibility.

These objectives are consistent with those of PNG's prior annual gas contracting plan (ACP 2022 (covering the period November 2022 to October 2023) that was accepted by the BCUC under Letter L-31-22. Previous annual gas contracting plans have been successful in meeting these objectives and PNG submits that ACP 2023 will enable PNG to continue to meet these objectives in the best interests of customers for the 2023/24 Gas Year.

Demand Forecast – Peak Day Demand

The forecast aggregate peak day demand for the PNG-West and PNG(NE) FSJ/DC systems for the 2023/24 Gas Year is 76,241 GJs, which is an increase of 2,252 GJs over the peak day forecast from the 2022/23 Gas Year of 73,989 GJs. The increase in the peak day forecast is driven primarily by the increased demand from large commercial and small commercial customers in PNG-West and Fort St. John, respectively. PNG(NE) TR peak day demand for the 2023/24 Gas Year is forecast at 1,784 GJs, an increase of 22 GJs from the prior year forecast of 1,763 GJs.

Gas Supply Resource Portfolio

PNG will meet its gas demand requirements using a balanced approach taking into consideration cost effectiveness, security, diversity, and reliability of gas supply. To achieve this, PNG will continue to contract for natural gas supply from different counterparties and contract for both daily and monthly priced supply. PNG may also look to secure longer term supply contracts of two to three years if doing so meets the objectives set out above.

Gas Storage

Storage provides PNG with some cost certainty heading into the winter season and acts as insurance against winter weather events. PNG has included natural gas storage in its gas supply portfolio since 2004, when it entered into a synthetic gas storage agreement with FortisBC Energy Inc. from 2004 to March 2012. After deciding not to contract for storage for the 2012/13 winter period, PNG has included storage services in its gas supply portfolio since 2013.

Storage has remained a cost-effective resource for PNG and continues to support the objectives of PNG's ACPs. PNG notes that utilities across North America continue to rely heavily on storage for the many benefits it provides.

On March 18, 2021, PNG submitted a storage agreement with Tenaska Marketing Canada (Tenaska) for acceptance by the BCUC. The BCUC accepted that submission under Order E-11-21 and PNG subsequently contracted for a four-year storage service that expires March 31, 2026.

Transportation Service

PNG is required to contract for firm transportation service on the Enbridge Inc. (Enbridge) Westcoast Energy Inc. (Westcoast) pipeline system to move its gas supply to its load centres. Currently, PNG has contracted for T-South capacity and secured an additional amount of firm seasonal gas supply delivered to Summit Lake which, together, is sufficient to meet the increased peak day load requirements on the PNG-West system.

PNG also makes use of a locational swap to receive its Station #2 supply at the McMahon Plant outlet. PNG has T-North Short Haul transportation service agreements in place to deliver this gas to the FSJ/DC service area, saving PNG the cost of contracting for T-North

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Long Haul capacity along with the associated fuel. Under a peak day scenario, the maximum amount of 23,614 GJ/day would be re-delivered to the FSJ/DC service area.

PNG will continue to seek discounted third-party capacity for the necessary T-North Long Haul capacity to facilitate injections and withdrawals from storage at Aitken Creek. This capacity has proven to be reliable and cost effective in the past and PNG believes this will continue in the future.