



**ORDER NUMBER
G-297-23**

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

and

Pacific Northern Gas Ltd.
2023–2024 Revenue Requirements Application
for the PNG-West Division

BEFORE:

C. M. Brewer, Panel Chair
T. A. Loski, Commissioner

on October 31, 2023

ORDER

WHEREAS:

- A. On November 30, 2022, Pacific Northern Gas Ltd. (PNG) filed its 2023–2024 Revenue Requirements Application (RRA) with the British Columbia Utilities Commission (BCUC) for its West division (PNG-West) pursuant to sections 58 to 61, 89 and 90 of the *Utilities Commission Act* (UCA);
- B. By Order G-374-22, the BCUC, among other things, approved PNG's basic charges, delivery rates and Revenue Stabilization Adjustment Mechanism (RSAM) rate rider on an interim and refundable/recoverable basis, effective January 1, 2023. By the same order the BCUC established a regulatory timetable for the proceeding, subsequently amended by Orders G-103-23, G-125-23 and G-179-23, which included intervener registration, filing an amended application, two rounds of information requests (IRs) to PNG, responses to IRs, status updates, written final arguments and reply argument;
- C. British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Center, known collectively as BCOAPO et al. (BCOAPO) and Residential Consumer Intervener Association (RCIA) participated as interveners in the proceeding;
- D. On February 28, 2023, PNG filed its amended application for approval of, among other things, 2023 and 2024 delivery rates on a permanent basis;
- E. On July 21, 2023, PNG filed an evidentiary update to its RRA along with an updated application for approval of, among other things, revised 2023 and 2024 delivery rates on a permanent basis (Updated Application) and on September 6, 2023, PNG filed its IR No. 2 responses;

- F. In its responses to IR No. 2 and as summarized in its final argument, PNG seeks an order granting approval of the 2024 rates as outlined in the Updated Application on an interim, refundable or recoverable basis no later than November 1, 2023, to provide PNG with sufficient time to implement the rate changes effective January 1, 2024, pending the final disposition of the Updated Application and the BCUC's final decision on Stage 2 of the Generic Cost of Capital (GCOC) proceeding;
- G. PNG seeks approval, on an interim and refundable/recoverable basis, to increase its basic charges and delivery rates to cover the forecast 2024 revenue deficiency for PNG-West for the following rate classes, among other rate classes:
1. Basic charges:
 - i. An 11.3 percent increase from \$11.99/month to \$13.35/month for Residential service;
 - ii. An 11.5 percent increase from \$27.88/month to \$31.09/month for Small Commercial service;
 - iii. An 11.3 percent increase from \$11.99/month to \$13.35/month for Granisle Propane service;
 2. Delivery rates:
 - i. An 11.5 percent increase from \$14.465/Gigajoule (GJ) to \$16.129/GJ for Residential service;
 - ii. An 11.5 percent increase from \$12.153/GJ to \$13.553/GJ for Small Commercial service;
 - iii. An 11.4 percent increase from \$8.349/GJ to \$9.298/GJ for Granisle Propane service; and
- PNG is also seeking approval for an increase in the RSAM rate rider on an interim and refundable/recoverable basis for PNG-West applicable to Residential, Small Commercial and Small Commercial Transport customers from a credit rider of \$1.460/GJ to a debit rider of \$0.160/GJ;
- H. On September 28, 2023, BCOAPO and RCIA filed their respective final arguments and on October 11, 2023, PNG filed its reply argument; and
- I. The BCUC has considered PNG's request for 2024 interim rates and determines that approval of interim rates for 2024 is warranted.

NOW THEREFORE pursuant to sections 58 to 61 and 89 of the UCA, the BCUC orders as follows:

1. The basic charges, delivery rates and the RSAM rate rider set forth in the Updated Application are approved on an interim basis, effective January 1, 2024. Any differences between the interim and permanent rates that are determined by the BCUC, following final disposition of the Updated Application and the BCUC's final decision on Stage 2 of the GCOC proceeding, are subject to refund/recovery, with interest at the average prime rate of PNG's principal bank for its most recent year.
2. PNG is directed to file with the BCUC, the rate schedules reflecting the interim approvals for endorsement within 15 business days of the date of this order.
3. PNG is directed to include a notice of the approved interim rates with the next bill for each customer.

DATED at the City of Vancouver, in the Province of British Columbia, this 31st day of October 2023.

BY ORDER

Original signed by:

C. M. Brewer
Commissioner

Attachment

Pacific Northern Gas Ltd.
2023–2024 Revenue Requirements Application
for the PNG-West Division

REASONS FOR DECISION

1.0 Background

On November 30, 2022, Pacific Northern Gas Ltd. (PNG) filed its 2023–2024 Revenue Requirements Application (RRA) with the British Columbia Utilities Commission (BCUC) for its West division (PNG-West) pursuant to sections 58 to 61, 89 and 90 of the *Utilities Commission Act* (UCA). On February 28, 2023, PNG filed its amended application to support its request for approval of rates on a permanent basis (Amended Application) and subsequently on July 21, 2023, PNG filed an evidentiary update to its RRA along with an updated application for approval of revised 2023 and 2024 rates on a permanent basis (Updated Application). These reasons for decision address PNG's request for approval of interim rates effective January 1, 2024.

Considering the expected timing of a final decision on this proceeding, PNG seeks an order granting interim approval of the 2024 rates in the Updated Application by November 1, 2023, to provide PNG with sufficient time to implement the rate changes effective January 1, 2024.¹

Two parties, British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Center, known collectively as BCOAPO et al. (BCOAPO) and Residential Consumer Intervener Association (RCIA) participated as interveners in the proceeding.

2.0 Advanced Approval of 2024 Interim Rates

By November 1, 2023, PNG seeks approval, on an interim and refundable/recoverable basis, effective January 1, 2024, to increase its basic charges and delivery rates to cover the forecast 2024 revenue deficiency for PNG-West for the following rate classes, among other rate classes:²

1. Basic charges:
 - a. An 11.3 percent increase from \$11.99/month to \$13.35/month for Residential service;
 - b. An 11.5 percent increase from \$27.88/month to \$31.09/month for Small Commercial service;
 - c. An 11.3 percent increase from \$11.99/month to \$13.35/month for Granisle Propane service
2. Delivery rates:
 - a. An 11.5 percent increase from \$14.465/Gigajoule (GJ) to \$16.129/GJ for Residential service;
 - b. An 11.5 percent increase from \$12.153/GJ to \$13.553/GJ for Small Commercial service;

¹ Exhibit B-13, BCUC IR 98.4, PNG Final Argument, Section 2, pp. 12–13, Section 16.3.1, p. 50.

² Exhibit B-10-1, Section 1.3, pp. 14–15, Exhibit B-13, BCUC IR 98.4, PNG Final Argument, Section 2, pp. 12–13, Section 16.3.1, p. 50.

c. An 11.4 percent increase from \$8.349/GJ to \$9.298/GJ for Granisle Propane service; and PNG is also seeking approval for an increase in the Revenue Stabilization Adjustment Mechanism (RSAM) rate rider on an interim and refundable/recoverable basis for PNG-West applicable to Residential, Small Commercial and Small Commercial Transport customers from a credit rider of \$1.460/GJ to a debit rider of \$0.160/GJ.³

PNG's requested 2024 rates, for which they are seeking interim approval, incorporate PNG's rate mitigation proposals. This includes utilization of the Option Fee Payment deferral account, Large Volume Industrial deferral account (LVIDA) and the proposed new Integrity Cost of Service deferral account (ICOSDA) to mitigation rate impacts.⁴

PNG observes that its capital structure will be reviewed as part of Stage 2 of the present BCUC Generic Cost of Capital (GCOC) proceeding. In the decision accompanying Order G-236-23 approving Stage 1 of the present GCOC proceeding, PNG notes that the BCUC has indicated that for utilities that currently use the Benchmark Utility to set their capital structure and equity return, rates effective January 1, 2024 are to be set on an interim, refundable or recoverable basis pending the BCUC's final decision on Stage 2 of the GCOC proceeding.⁵ The BCUC also indicated that it will determine the manner by which any variance between approved interim rates and permanent rates, including interest if any, will be refunded or recovered at the time the BCUC renders its final decision on Stage 2.⁶

Positions of the Parties

RCIA did not comment on PNG's request for interim approval of the 2024 rates.

BCOAPO expressed concerns regarding PNG's request for interim approval of the 2024 rates as outlined in the Updated Application. The primary consideration is that the applied-for rates are for an increase that exceeds the 10 percent threshold for rate shock. While acknowledging that rate shock alone is not a sufficient reason for opposition, BCOAPO's second consideration is based on an alternative rate mitigation option that can prevent residential customers from experiencing rate shock and would result in much lower rate increases for the test years.⁷ BCOAPO's proposed rate mitigation option, includes different amortization and deferral amounts to those proposed by PNG for the LVIDA and ICOSDA, and considers the potential for future new industrial load beyond the test years.⁸

Ultimately, BCOAPO requests this Panel to approve only the 6.9 percent rate increase set out in the Amended Application on an interim basis effective January 1, 2024.⁹

BCOAPO submits that the Panel must take whatever time is required to consider the evidence and arguments of all parties prior to reaching a decision for 2024 interim rates, rather than being rushed by an arbitrary deadline

³ Exhibit B-13, BCUC IR 98.4, Exhibit B-10, p. 18, Exhibit B-10-1, Tab Schedules – Tab 6, pp. 14, 30.

⁴ Exhibit B-10-1, Section 2.9, pp. 96, 98 and 100.

⁵ Exhibit B-13, BCUC IR 98.4, PNG Final Argument, p. 46.

⁶ Decision and Order G-236-23 dated September 5, 2023, p. 144.

⁷ BCOAPO Final Argument, pp. 21, 23 and 29.

⁸ BCOAPO Final Argument, pp. 23, 25–27.

⁹ BCOAPO Final Argument, p. 30.

set for administrative reasons. In the event the Panel determines it necessary to address the risk of not issuing its decision by December 31, 2023, BCOAPO offers an option to delay approval of 2024 interim rates.¹⁰

In reply, PNG submits that its proposed rate increases for 2023 and 2024 are both prudent and necessary and will preserve PNG's ability to mitigate rate impacts in future years should industrial demand not materialize.¹¹ PNG also submits that its proposed use of the three deferral accounts reflects a realistic view on new industrial customers contracting for firm system capacity.¹² PNG maintains its recommendation for the BCUC to establish interim rates for Test Year 2024 and submits that this is an efficient mechanism to implement rate changes in advanced of a BCUC decision on the Application.¹³

3.0 Panel Determination

Pursuant to sections 58 to 61 and 89 of the UCA, the BCUC has the authority to set interim rates. With PNG seeking interim approval of PNG-West's proposed 2024 basic charges, delivery rates and RSAM rate rider by November 1, 2023, and in light of the pending final determinations for the 2023 and 2024 permanent rates, the Panel finds that setting 2024 rates for PNG-West on an interim basis is warranted. This approach and timing support regulatory and administrative efficiency by ensuring PNG has sufficient time to implement the rate changes, effective January 1, 2024.

The Panel has also considered BCOAPO's rate mitigation proposal with respect to PNG's request for the incremental increase in 2024 interim rates. However, the Panel finds these recommendations premature at this stage of the proceeding given that the Panel has yet to determine the final rates for 2023 and 2024. As the rates for 2024 are being sought on an interim basis, any differences between the interim and permanent rates that are determined by the BCUC are subject to refund/recovery, with interest at the average prime rate of PNG's principal bank for its most recent year. Therefore, the Panel considers it more appropriate to further consider BCOAPO's recommendations for rate mitigation as part of the Panel's final determination on PNG-West's rates for 2023 and 2024.

The Panel approves the 2024 basic charges, delivery rates and RSAM rate rider as set forth in the Updated Application for PNG-West, on an interim and recoverable or refundable basis, effective January 1, 2024, subject to the final decision on the Updated Application and the BCUC's final decision on Stage 2 of the GCOC proceeding.

¹⁰ BCOAPO Final Argument, pp. 29–30.

¹¹ PNG Reply Argument, p. 3.

¹² PNG Reply Argument, p. 10.

¹³ PNG Reply Argument, p. 12.