



**ORDER NUMBER
G-339-23**

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 December 11, 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* (Original Application);
- 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, and final and reply arguments;
- 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 (Test Period or Test Year(s)) delivery rates on a permanent basis (Application);
- 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);

F. PNG requests that the following exhibits be kept confidential on the basis that they contain sensitive information relating to PNG's assets or commercially sensitive information as outlined in PNG's public exhibits and further discussed in Section 16.2 of PNG's final argument (Confidential Exhibits):

- i. Exhibit B-1-2, PNG filing confidential Appendix D to the Original Application;
- ii. Exhibit B-1-3, PNG filing confidential Appendix G to the Original Application;
- iii. Exhibit B-4, PNG confidential responses to BCUC Confidential IR No. 1;
- iv. Exhibit B-8-1, PNG filing confidential status update and recommendation on further process;
- v. Exhibit B-13-1, PNG confidential responses to BCUC IR No. 2; and
- vi. Exhibit B-13-1-1, PNG restricted confidential responses to BCUC IR No. 2 (strictly for the BCUC's review);

G. In its Updated Application, PNG seeks approval to increase its basic charges and delivery rates on a permanent basis for PNG-West to recover the forecast 2023 revenue deficiency for the following rate classes, among other rate classes:

- 1. For Residential service, an 11.5 percent increase in the basic charge from \$10.75/month to \$11.99/month and an 11.5 percent increase in the delivery rate from \$12.973/ gigajoule (GJ) to \$14.465/GJ;
- 2. For Small Commercial service, an 11.5 percent increase in the basic charge from \$25.00/month to \$27.88/month and an 11.5 percent increase in the delivery rate from \$10.896/GJ to \$12.153/GJ;
- 3. For Granisle Propane service, an 11.5 percent increase in the basic charge from \$10.75/month to \$11.99/month and an 11.3 percent increase in the delivery rate from \$7.500/GJ to \$8.349/GJ; and

PNG also seeks approval to decrease the RSAM rate rider on a permanent basis for PNG-West applicable to Residential, Small Commercial and Commercial Transport customers from a credit rider of \$0.333/GJ to a credit rider of \$1.460/GJ;

H. In its Updated Application, PNG seeks approval to increase its basic charges and delivery rates, on an interim and refundable/recoverable basis, for PNG-West to recover the forecast 2024 revenue deficiency, subject to the BCUC's final decision on Stage 2 of its Generic Cost of Capital (GCOC) proceeding and adjustments identified during this proceeding. PNG also seeks approval to increase the RSAM rate rider on an interim and refundable basis for PNG-West applicable to Residential, Small Commercial and Commercial Transport customers from a credit rider of \$1.460/GJ to a debit rider of \$0.160/GJ;

I. By Order G-297-23, the BCUC approved PNG's basic charges, delivery rates and RSAM rate rider as set forth in the Updated Application, on an interim and refundable/recoverable basis, effective January 1, 2024, subject to the decision issued concurrently with this order and the BCUC's final decision on Stage 2 of its GCOC proceeding; and

J. The BCUC has considered the Application, evidence and submissions of the parties and makes the following determinations.

NOW THEREFORE pursuant to sections 56(2) and 58 to 61 of the *Utilities Commission Act* and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows:

1. The basic charges, delivery rates, and RSAM rate rider that were approved on an interim basis by Order G-374-22, are approved on a permanent basis, effective January 1, 2023.
2. PNG is directed to establish a deferral account (2023 Rate Variance deferral account) accruing interest at the average prime rate of PNG's principal bank for its most recent year to record the difference between the following:
 - i. The 2023 permanent delivery rates and the adjusted 2023 delivery rates based on PNG's compliance filing to reflect the adjustments summarized in Section 3.2 of its final argument, along with the directives and determinations outlined in this order and the decision issued concurrently; and
 - ii. The 2023 permanent basic charges and the adjusted 2023 basic charges based on PNG's compliance filing to reflect the adjustments summarized in Section 3.2 of its final argument, along with the directives and determinations outlined in this order and the decision issued concurrently.

The disposition of the 2023 Rate Variance deferral account will be determined as part of the next RRA.

3. PNG is directed to record the difference between the 2023 permanent RSAM rate rider and the RSAM rate rider as proposed in the Updated Application in the RSAM interest bearing deferral account. The disposition of this difference will be determined as part of the next RRA.
4. PNG is directed to update the 2024 interim basic charges, delivery rates and RSAM rate rider in its compliance filing to reflect the adjustments summarized in Section 3.2 of its final argument, and the directives and determinations outlined in this order and the decision issued concurrently. PNG is further directed to include in its compliance filing, the mechanism to recover any difference between the 2024 interim rates approved by Order G-297-23 and the 2024 interim rates resulting from this order and the decision issued concurrently.
5. PNG is approved to establish the Integrity Cost of Service deferral account to record a portion of the cost of service associated with the Western Transmission Gas Line integrity investments as outlined in the decision issued concurrently.
6. PNG is approved to apply the depreciation rates and net salvage rates included in the new depreciation study, effective January 1, 2024. PNG is directed to file its next depreciation study as part of its RRA for test year 2026. Additionally, PNG is directed to discuss the work carried out on the economic planning horizon in its next RRA.
7. PNG is directed to update the Test Period forecast capital expenditures in its compliance filing to reflect the proposed adjustments summarized in Section 3.2 of its final argument.
8. PNG is directed to change the interest rate for its existing long-term non-rate base deferral accounts from the previously approved weighted average cost of debt to PNG's weighted average cost of capital, commencing in Test Year 2023, and to continue using this approach going forward, subject to future determinations from the GCOC proceeding.
9. The Confidential Exhibits will be kept confidential due to their commercially sensitive nature until the BCUC determines otherwise.

10. PNG is directed to file its compliance filing, including the revised regulatory schedules, with the BCUC for endorsement within 75 days of this order.
11. PNG must inform all customers of permanent 2023 basic charges and delivery rates by way of written notice to be included with its next customer invoice after PNG's compliance filing has been accepted by the BCUC.
12. PNG is directed to comply with all other directives and determination outlined in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of December 2023.

BY ORDER

Original signed by:

C. M. Brewer
Commissioner