



ORDER NUMBER
G-190-16

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

and

Pacific Northern Gas (N.E.) Ltd.
Fourth Quarter 2016 Report on Gas Supply Costs
and Application for RSAM Rate Rider Changes Effective January 1, 2017
for Fort St. John/Dawson Creek and Tumbler Ridge Service Areas

BEFORE:

D. M. Morton, Commissioner
H. G. Harowitz, Commissioner
M. Kresivo, Commissioner
R. I. Mason, Commissioner
R. D. Revel, Commissioner

on December 15, 2016

ORDER

WHEREAS:

- A. On December 5, 2016, Pacific Northern Gas (N.E.) Ltd. [PNG(N.E.)] filed with the British Columbia Utilities Commission (Commission) its 2016 Fourth Quarter Report on gas supply costs and Gas Cost Variance Account (GCVA) balances for its Fort St. John/Dawson Creek (FSJ/DC) and Tumbler Ridge (TR) service areas, based on forecast natural gas prices using the average of five consecutive days forward price forecasts ending November 28, 2016 (the Gas Cost Report);
- B. By Letters L-5-01 and L-40-11, the Commission set out guidelines for a trigger mechanism and rate setting methodology (Guidelines) that have generally been adopted by natural gas and propane utilities including PNG (N.E.);
- C. The Commission, by Order G-198-15, established the current gas commodity rates, GCVA commodity rate riders, Company Use GCVA rate riders and Company Use delivery rates for FSJ/DC and TR, effective January 1, 2016. These rates and rate riders for FSJ/DC and TR were maintained effective April 1, 2016, July 1, 2016 and October 1, 2016 through Letters L-5-16, L-16-16 and L-24-16 respectively;
- D. For FSJ/DC, PNG (N.E.) forecasts the ratio of 12 month forecast gas cost recovery revenue from customers using current rates to the sum of the 12 month forecast gas supply costs and the GCVA balance at December 31, 2016 (R/C Ratio) to be 0.660, which is outside the established 0.95 to 1.05 dead band range. In addition, the indicative January 1, 2017 gas cost commodity rate and GCVA commodity rate rider changes required to achieve an R/C Ratio of 1.00 by December 31, 2017 are greater than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG (N.E.) requests approval to increase the gas commodity rates for the FSJ/DC service area effective January 1, 2017;
- E. For FSJ/DC, PNG (N.E.) requests approval to decrease the current GCVA commodity credit rate rider from \$0.567/GJ to \$0.181/GJ and to change the Company Use GCVA rate rider from a credit rider of \$0.014/GJ to a debit rider of \$0.016/GJ, effective January 1, 2017;

- F. For FSJ/DC, PNG (N.E.) requests approval to increase the Company Use gas cost delivery rate, which is a component of the delivery charge, from \$0.033/GJ to \$0.042/GJ and to increase the Company Use commodity price, which is used for price deferral accounting purposes, from \$1.898/GJ to \$2.382/GJ, effective January 1, 2017;
- G. For TR, PNG (N.E.) forecasts the R/C Ratio to be 0.776, which is outside the established 0.95 to 1.05 dead band range. In addition, the indicative January 1, 2017 gas cost commodity rate and GCVA commodity rate rider changes required to achieve an R/C Ratio of 1.00 by December 31, 2017 are greater than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG (N.E.) requests approval to increase the gas commodity rates for the TR service area effective January 1, 2017;
- H. For TR, PNG (N.E.) requests approval to decrease the current GCVA commodity credit rate rider from \$0.603/GJ to \$0.430/GJ and to decrease the Company Use GCVA credit rate rider from \$0.438/GJ to \$0.292/GJ, effective January 1, 2017;
- I. For TR, PNG (N.E.) requests approval to decrease the current Company Use gas cost delivery rate, which is a component of the delivery charge, from \$0.410/GJ to \$0.385/GJ and to increase the Company Use commodity price, which is used for price deferral accounting purposes, from \$3.136/GJ to \$3.693/GJ, effective January 1, 2017;
- J. The filing dated December 5, 2016 included an application to increase the Rate Stabilization Adjustment Mechanism (RSAM) rate riders for the FSJ/DC and TR service areas effective January 1, 2017 (the RSAM Application). RSAM rate riders recover from (debit) or return to (credit) customers the balance in the RSAM deferral account, which accumulates the margin impact of variations in the actual versus forecast use-per-account for residential and small commercial customers, primarily due to volatility in weather;
- K. RSAM rate riders are an element of the delivery charge and are generally adjusted annually. Due to variances between forecast and actual natural gas delivery volumes up to November 2016, PNG (N.E.) requests approval to adjust the RSAM rate riders;
- L. The Commission, by Order G-132-16 regarding the PNG (N.E.) 2016-2017 Revenue Requirements and Rate Application for the FSJ/DC and TR service areas approved the 2016 RSAM rate riders on a permanent basis;
- M. PNG (N.E.) requests approval to increase the currently approved RSAM debit rate rider for FSJ/DC from \$0.132/GJ to \$0.472/GJ and for TR from \$1.198/GJ to \$1.256/GJ, effective January 1, 2017;
- N. The net impact of the requests in the Gas Cost Report and the RSAM Application to a FSJ/DC residential customer is a rate increase of \$1.186/GJ, effective January 1, 2017. This represents an increase of approximately \$127.32, or 15.7 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 107.4 GJ;
- O. The total net impact of the requests in the Gas Cost Report, the RSAM Application and the delivery rates approved through Commission Order G-132-16 to a FSJ/DC residential customer is a rate increase of \$1.675/GJ, effective January 1, 2017. This represents an increase of approximately \$179.81, or 22.2 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 107.4 GJ;
- P. The net impact of the requests in the Gas Cost Report and the RSAM Application to a TR residential customer is a rate increase of \$0.909/GJ, effective January 1, 2017, which represents an increase of approximately \$66.99, or 6.6 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 73.7 GJ;

- Q. The total net impact of the requests in the Gas Cost Report, the RSAM Application and the delivery rates approved through Commission Order G-132-16 to a TR residential customer is a rate increase of \$0.172/GJ, effective January 1, 2017. This represents an increase of approximately \$12.67, or 1.2 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 73.7 GJ; and
- R. The Commission reviewed the filing and considers that the rate changes requested in the Gas Cost Report and the RSAM Application are warranted.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, the British Columbia Utilities Commission orders the following, effective January 1, 2017:

1. In the Pacific Northern Gas (N.E.) Ltd. [PNG(N.E.)] Fort St. John/Dawson Creek (FSJ/DC) service area, the natural gas commodity rates are set as follows:

Customer Rate Class	Commodity Rate
Residential (RS1)	\$2.634/GJ
Small Commercial (RS2)	\$2.643/GJ
Large Commercial Firm (RS3)	\$2.570/GJ
Small Industrial Sales (RS4)	\$2.506/GJ

2. In the PNG (N.E.) FSJ/DC service area, the Gas Cost Variance Account (GCVA) commodity rate rider is set as a credit rate rider of \$0.181/GJ and the Company Use GCVA rate rider is set as a debit rate rider of \$0.016/GJ.
3. In the PNG (N.E.) FSJ/DC service area, the Company Use gas cost delivery rate and Company Use commodity price are set as \$0.042/GJ and \$2.382/GJ respectively.
4. In the PNG (N.E.) Tumbler Ridge (TR) service area, the natural gas commodity rates for the residential (RS1), small commercial (RS2) and large commercial (RS3) customers are set at \$3.693/GJ.
5. In the PNG (N.E.) TR service area, the GCVA commodity rate rider and the Company Use GCVA rate rider are set as credit rate riders of \$0.430/GJ and \$0.292/GJ respectively.
6. In the PNG (N.E.) TR service area, the Company Use gas cost delivery rate and Company Use commodity price are set as \$0.385/GJ and \$3.693/GJ respectively.
7. The Rate Stabilization Adjustment Mechanism (RSAM) rate riders for the FSJ/DC and TR service areas are set as debit rate riders of \$0.472/GJ and \$1.256/GJ respectively.
8. PNG (N.E.) must notify all affected customers of the rate changes by way of a bill insert or bill message with the next monthly billing.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of December 2016.

BY ORDER

Original signed by:

D. M. Morton
Commissioner