



ORDER NUMBER
G-36-17

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

and

Pacific Northern Gas Ltd.
First Quarter 2017 Report on Gas Supply Costs
for PNG-West and Granisle Service Areas

BEFORE:

D. M. Morton, Commissioner
D. J. Enns, Commissioner
H. G. Harowitz, Commissioner
M. Kresivo, Commissioner
B. A. Magnan, Commissioner
R. I. Mason, Commissioner
R. D. Revel, Commissioner

on March 16, 2017

ORDER

WHEREAS:

- A. On March 7, 2017, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (Commission) its 2017 First Quarter Report on gas supply costs and Gas Cost Variance Account (GCVA) balances for its PNG-West and Granisle service areas, based on forecast natural gas prices using the average of five consecutive days forward price forecasts ending February 22, 2017 and propane price forecasts from the forward strip dated March 2, 2017 (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;
- C. The Commission, by Order G-189-16, established the current gas commodity rates, GCVA commodity rate rider, Company Use GCVA rate rider and Company Use delivery rate for PNG-West and also established the current propane commodity rate and associated rate rider for Granisle, effective January 1, 2017;
- D. For PNG-West, PNG forecasts the ratio of 12 month forecast commodity cost recovery revenue from customers using current rates to the sum of the 12 month forecast commodity supply costs and the GCVA balance at March 31, 2017 (R/C Ratio) to be 1.074. The R/C Ratio is outside the dead-band range of 0.95 to 1.05 set out in the Guidelines; however, the indicative gas cost commodity rate and GCVA commodity rate rider rate changes required to achieve an R/C Ratio of 1.00 by March 31, 2018 are lower than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG recommends that the gas commodity rates for the PNG-West service area remain unchanged effective April 1, 2017;

- E. For PNG-West, PNG recommends that the current GCVA commodity credit rate rider of \$0.156/GJ and the current Company Use GCVA debit rate rider of \$0.031/GJ remain unchanged effective April 1, 2017, given that no changes are required for the gas commodity rates;
- F. For PNG-West, PNG recommends that the current Company Use gas cost delivery rate of \$0.067/GJ, which is a component of the delivery charge, and the current Company Use commodity price of \$2.388/GJ, which is used for price deferral accounting purposes, remain unchanged effective April 1, 2017;
- G. For Granisle, PNG forecasts the R/C Ratio to be 0.859, which is outside the established 0.95 to 1.05 dead band range. In addition, the indicative April 1, 2017 propane cost commodity rate and GCVA commodity rate rider changes required to achieve an R/C Ratio of 1.00 by March 31, 2018 are greater than the \$0.50/GJ threshold set out in the Guidelines;
- H. For Granisle, PNG requests approval to increase the propane commodity rate from \$13.095/GJ to \$14.743/GJ and to change the current GCVA commodity credit rate rider of \$0.323/GJ to a debit rate rider of \$0.123/GJ, effective April 1, 2017;
- I. The net impact of the requests in the Gas Cost Report to a Granisle residential customer is a rate increase of \$2.094/GJ, effective April 1, 2017, which represents an increase of approximately \$80.83, or 8.4 percent, for a typical residential customer's annual bill based on current rates with an average annual consumption of 38.6 GJ; and
- J. The Commission reviewed the filing and considers that the recommendations and requested rate changes in the Gas Cost Report are warranted.

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

1. In the PNG-West service area, no changes are required to the current natural gas commodity rates and associated rate riders and they will remain unchanged effective April 1, 2017.
2. In the Granisle service area, the propane commodity rate is set at \$14.743/GJ and the Gas Cost Variance Account commodity rate rider is set as a debit rate rider of \$0.123/GJ.
3. Pacific Northern Gas Ltd. 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 March 2017.

BY ORDER

Original signed by:

D. M. Morton
Commissioner