



**ORDER NUMBER**

**G-61-18**

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Pacific Northern Gas Ltd.  
First Quarter 2018 Report on Gas Supply  
Costs for PNG-West and Granisle Service Areas

**BEFORE:**

B. A. Magnan, Commissioner  
R. D. Revel, Commissioner  
D. J. Enns, Commissioner

on March 15, 2018

**ORDER**

**WHEREAS:**

- A. On March 5, 2018, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (Commission) its First Quarter 2018 Report on gas supply costs and Gas Cost Variance Account (GCVA) balances for its PNG-West and Granisle service areas, based on the average of five consecutive days of forward natural gas price forecasts ending February 26, 2018 and propane price forecasts from the forward strip dated February 23, 2018 (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. By Order G-186-17, the Commission established the current gas commodity rates, GCVA commodity rate rider and Company Use GCVA rate rider for the PNG-West service area, and the current propane commodity rate and associated GCVA commodity rate rider for the Granisle service area, effective January 1, 2018;
- D. For PNG-West, PNG 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, 2017 (R/C Ratio) to be 1.175, which is outside the established 0.95 to 1.05 dead band range. However, the difference between rates effective January 1, 2018 and indicative rates at April 1, 2018 are less than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG requests no changes to the gas commodity rates, as exceeding both the R/C Ratio dead band range and the \$0.50/GJ threshold is required in order to trigger a rate change, as per the Guidelines;
- E. For PNG-West, PNG requests maintaining the GCVA commodity credit rate rider of \$0.396/GJ and the Company use GCVA gas cost credit rate rider of \$0.009/GJ, effective April 1, 2018;

- F. For PNG-West, PNG recommends maintaining the current Company use gas cost delivery rate of \$0.058/GJ and maintaining the Company use gas commodity price used for price deferral accounting purposes of \$1.529/GJ, effective April 1, 2018;
- G. For Granisle, PNG forecasts the R/C Ratio to be 0.811, which is outside the established 0.95 to 1.05 dead band range. The indicative April 1, 2018 gas cost commodity rate and GCVA 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. PNG notes that both rate change mechanisms are triggered, therefore PNG requests approval to decrease the current propane commodity rate from \$16.820/GJ to \$15.552/GJ, effective April 1, 2018;
- H. For Granisle, PNG requests approval to increase the current GCVA commodity debit rate rider of \$0.208/GJ to \$5.446/GJ, effective April 1, 2018. The increase is required to recover costs resulting from a sharp rise in propane costs relative to previously approved commodity prices;
- I. The net impact to a Granisle residential propane customer is a \$3.970/GJ rate increase. Relative to current rates, this translates to a \$154.83 increase, or 23.3%, in the annual bill for a typical residential customer with an average annual consumption of 39 GJ; and
- J. The Commission has reviewed PNG's Report and concludes that the rates requested should be approved, effective April 1, 2018.

**NOW THEREFORE** pursuant to section 61(4) of the *Utilities Commission Act*, the Commission orders the following, effective April 1, 2018:

1. In the PNG-West service area, no changes are required to gas commodity rates and gas cost rate riders. The Company Use gas cost delivery rate and Company Use commodity price will also remain unchanged;
2. In the Granisle service area, the propane commodity rate is set at \$15.552/GJ and the GCVA commodity debit rate rider is set at \$5.446/GJ.
3. PNG 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 15<sup>th</sup> day of March 2018.

BY ORDER

*Original signed by:*

B. A. Magnan  
Commissioner