BRITISH COLUMBIA UTILITIES COMMISSION

LETTER L-17-12

ALANNA GILLIS
ACTING COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: http://www.bcuc.com

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 39358

VIA EMAIL
cdonohue@png.ca

March 19, 2012

Mr. C.P. Donohue
Director, Regulatory Affairs & Gas Supply
Pacific Northern Gas Ltd.
950 – 1185 West Georgia Street
Vancouver, BC V6E 4E6

Dear Mr. Donohue:

Re: Pacific Northern Gas Ltd.
First Quarter 2012 Report on Gas Supply Costs
For the PNG-West and Granisle Service Areas

On March 9, 2012, Pacific Northern Gas Ltd. (PNG, PNG-West) filed with the British Columbia Utilities Commission (Commission) its 2012 First Quarter Report on gas supply costs and Gas Cost Variance Account (GCVA) balances for PNG-West and Granisle service areas (the Report). The forecast natural gas price is based on using the average of five consecutive days forward price forecasts ending February 17, 2012, and forecast propane prices obtained from PNG's propane supplier.

The Report forecasts for PNG-West that the ratio of gas commodity cost recoveries at current rates to forecast gas commodity costs over the following 12 months would be 1.094, which would indicate a rate reduction of less than $0.50/GJ for all PNG-West rate classes. Commission Letter L-40-11 states that the gas supply cost recovery "rate change trigger mechanism will be the plus/minus 5 percent trigger plus a minimum rate change threshold of plus/minus $0.50/GJ". Since the indicated rate reduction is less than $0.50/GJ and PNG-West is not requesting a change to the current gas commodity charge, the Commission accepts that no change is required at this time.

The Report forecasts for Granisle that the ratio of propane commodity cost recoveries at current rates to forecast propane commodity costs over the following 12 months would be 1.173 and that a rate reduction of $3.397/GJ would be required to achieve a ratio of 1.0. PNG has requested deferring a rate change at this time to allow the GCVA deferral account balance to move from a debit figure of approximately $555 (under-recovery) to a credit balance of approximately $5,043 (over-recovery) at June 30, 2012. PNG indicates that it would be prudent to do so given the volatility in the propane market. The Commission acknowledges the rationale for deferring any rate reduction and accepts PNG's request to make no change to the current propane commodity rate and the current GCVA commodity credit rate rider at this time.

The Report also requests making no changes to rate riders associated with existing deferral accounts, nor to any 'company use' gas costs or riders. The Commission accepts that no change is required.

Yours truly,

Alanna Gillis

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Orders/L-17-12_PNG-Granisle First Quarter Rates