



**LETTER L-48-13**

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Log. No. 44447

**VIA EMAIL**

August 22, 2013

[jkennedy@png.ca](mailto:jkennedy@png.ca); [votto@png.ca](mailto:votto@png.ca)

Ms. Janet Kennedy  
Vice President, Regulatory Affairs & Gas Supply  
Pacific Northern Gas Ltd.  
Suite 950-1185 West Georgia Street  
Vancouver, BC V6E 4E6

Dear Ms. Kennedy:

Re: Pacific Northern Gas (N.E.) Ltd.  
Tumbler Ridge November 2013 – October 2014 Annual Gas Contracting Plan

On August 9, 2013, Pacific Northern Gas (N.E.) Ltd. (PNG(N.E.)) filed its 2013-2014 Annual Gas Contracting Plan for the Tumbler Ridge Division (ACP). The ACP describes the physical gas supply resources PNG(N.E.) intends to secure to meet the projected peak day and average daily gas demand of the Tumbler Ridge Division gas sales customers over the November 2013 to October 2014 gas year.

This filing was in compliance with Letter L-41-13 in which the British Columbia Utilities Commission (Commission) found the annual contracting plan filed by Pacific Northern Gas Ltd. (PNG) on May 31, 2013 to be incomplete with regard to the Tumbler Ridge Division and required PNG to file a full and complete annual contracting plan for Tumbler Ridge by August 1, 2013. On August 1, 2013, PNG(N.E.) submitted a request to extend the deadline for filing the Tumbler Ridge annual contracting plan to August 8, 2013. This request was accepted by the Commission by letter dated August 7, 2013. On August 8, 2013, PNG(N.E.) submitted the Tumbler Ridge annual contracting plan. On August 9, 2013, PNG(N.E.) retracted the version filed on August 8, 2013 and filed a confidential version.

On July 17, 2013, PNG(N.E.) filed an application for a Certificate of Public Convenience and Necessity for a compressed natural gas (CNG) virtual pipeline between Dawson Creek and Tumbler Ridge (CPCN Application) which is intended to provide for supplemental supply arrangements for the Tumbler Ridge Division.

The Commission has reviewed the Tumbler Ridge ACP and accepts the Tumbler Ridge ACP as in the public interest, recognizing that the CPCN Application will provide the opportunity to address the longer term supply alternatives for Tumbler Ridge.

In the Tumbler Ridge ACP, one of the items that PNG(N.E.) seeks acceptance of is the contracting required to procure the supplemental gas that will be trucked from the Dawson Creek compression facility. The Commission notes that this would more appropriately be part of the supply portfolio contracted for the Dawson

Creek Service Area but accepts the request as part of the Tumbler Ridge ACP for the 2013-2014 contract year in recognition of the timing of the request relative to the ongoing regulatory review of the CPCN Application.

The Commission agrees to hold the Tumbler Ridge ACP confidential as requested by PNG(N.E.) as the filing contains market sensitive information. A copy of the non-confidential Executive Summary that was filed by PNG(N.E.) on August 20, 2013, is attached to this Letter.

Yours truly,

*Original Signed By:*

Erica Hamilton

CM/nd  
Attachment

## **EXECUTIVE SUMMARY**

Pacific Northern Gas (N.E.) Ltd.'s ("PNG(N.E.)") hereby submits and seeks acceptance from the the British Columbia Utilities Commission (the "Commission") of its Annual Gas Contracting Plan for the Tumbler Ridge Division, dated August 2013 and covering the period of November 2013 to October 2014 ("TR ACP 2013"). TR ACP 2013 encompasses PNG(N.E.)'s plan to meet the natural gas requirements for the Tumbler Ridge service area.

### **TR ACP 2013 Planning Objectives and Constraints**

PNG(NE)'s approach to designing gas supply portfolios for its divisions would generally be to satisfy the following objectives:

- Provide cost-effective gas supply resources that ensure secure and reliable gas deliveries to customers;
- Provide daily and monthly priced supply to achieve a balanced mix of price diversity and cost effectiveness in the portfolio; and
- Diversify the supply portfolio and transportation capacity contracts to incorporate longer and shorter terms to allow for contracting flexibility.

For PNG(NE)'s TR Division, a variety of factors have historically and continue to act as constraints to sourcing gas supply for this service area, including:

- the relative isolation from the existing northeast pipeline grid and small size of the existing gas load;
- the lack of a pooled supply of pipeline quality of gas;
- the increasing lack of economically available sweet gas in the region; and
- a sole supplier actively operating in the region.

Given these constraints, PNG(NE) has been limited to negotiating supply arrangements with the sole supplier of gas for the TR Division and consequently has not been able to fully meet the above noted design objectives for this division, specifically regarding supply security and supply diversity.

### **Demand Forecast – Peak Day Demand**

The forecast aggregate peak day demand for the 2013/14 gas year is 2,356 GJs, which is an increase of 232 GJs from the peak day forecast for the 2012/13 gas year of 2,124 GJs. The peak day forecast has increased due to growth in commercial demand, offset in part by a slight decrease in forecast residential demand.

## Gas Supply Resource Portfolio

### Supply for Gas Processing Plant

Consistent with the 2012/2013 gas contracting year, PNG(NE) anticipates it will be able to contract directly with the sole supplier in the region to supply feed gas for the Tumbler Ridge gas processing plant for the 2013/2014 gas year for a quantity of up to 2,200 GJ/d. However, there is no firm commitment for this supply as the quantity is limited to the supplier's gas production available for delivery to the processing plant. The amount delivered is determined on a "best efforts basis" and may not be sufficient to deliver the specified contract amount of 2,200 GJ/d. Further, for the 2013/2014 gas year, the supplier has notified PNG(NE) it will be including a transportation charge (expected to be \$1.26/MMBtu or approximately \$1.20 per GJ) on gas supplied to the gas processing plant to cover the supplier's increased cost of accessing new supply.

### Supplemental Supply

PNG(NE) has recently filed an Application for a Certificate of Public Convenience and Necessity to Acquire, Construct, Own and Operate a Compressed Natural Gas ("CNG") Virtual Pipeline between the Communities of Dawson Creek and Tumbler Ridge ("CNG CPCN") as a supplemental source of supply to provide increased assurance of supply, diversity to the TR Division gas supply portfolio, and to meet customer demands for firm service. The TR ACP 2013 has provision for supplemental supply of 156 GJ/d for peak day demand to be provided by CNG delivered from Dawson Creek as per the CNG CPCN.

Pending Commission approval of the CNG CPCN, PNG(NE) is seeking Commission approval for PNG(NE)'s FSJ/DC Division to contract for a mix of daily and monthly priced supply to feed the CNG compression facilities in Dawson Creek.

## Conclusion

Contracting in the manner described above will allow PNG(NE) to meet its objectives of providing cost effective, safe, and reliable firm gas supply to its customers in the Tumbler Ridge service area.