British Columbia Utilities Commission

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ORDER NUMBER
G-281-22

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

and

Pacific Northern Gas Ltd.
2022 Revenue Requirements Application
for the PNG-West Division

BEFORE:
A. K. Fung, KC, Panel Chair
A. C. Dennier, Commissioner
B. A. Magnan, Commissioner

on October 11, 2022

ORDER

WHEREAS:

A. On November 30, 2021, Pacific Northern Gas Ltd. (PNG) filed its 2022 Revenue Requirements Application (RRA) with the British Columbia Utilities Commission (BCUC) for the West Division (PNG-West) pursuant to sections 58 to 61 of the *Utilities Commission Act* (UCA) (Original Application);

B. By Order G-378-21, the BCUC, among other things, approved PNG's delivery rates and Revenue Stabilization Adjustment Mechanism (RSAM) rate rider on an interim and refundable/recoverable basis, effective January 1, 2022, and established a regulatory timetable for the proceeding, subsequently amended by Orders G-57-22 and G-169-22. The timetable included intervener registration, filing an amended application, BCUC and intervener information requests (IR) No. 1 and 2, BCUC IR No. 3 on Shared Corporate Services Costs, responses to IRs, written final argument and reply argument;

C. British Columbia Old Age Pensioner's Organization, Active Support Against Poverty, Council of Senior Citizen's Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Center, known collectively as BCOAPO et al. (BCOAPO) and Residential Consumer Intervener Association (RCIA) participated as interveners in the proceeding;

D. On March 7, 2022, PNG filed its amended application for approval of 2022 (Test Year) delivery rates on a permanent basis (Application);

E. In its Application, PNG seeks approval to increase delivery rates on a permanent basis for PNG-West to recover the forecast 2022 revenue deficiency for the following rate classes, among other rate classes:

    1. A 4.8 percent increase from \$12.384/Gigajoule (GJ) to \$12.974/GJ for Residential service;

2. A 4.5 percent increase from $10.425/GJ to $10.897/GJ for Small Commercial service;

3. A 5.7 percent increase from $7.095/GJ to $7.501/GJ for Granisle Propane service; and

PNG is also seeking approval for a decrease in the RSAM rate rider on a permanent basis for PNG-West applicable to Residential, Small Commercial and Commercial Transport customers from a debit rider of $0.380/GJ to a credit rider of $0.786/GJ; and

F. The BCUC has considered the Application, evidence and submissions of the parties and makes the following determinations.

NOW THEREFORE pursuant to sections 58 to 61 of the UCA and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows:

1. PNG is approved to recover the 2022 revenue requirement and the resultant delivery rate changes on a permanent basis, effective January 1, 2022, for PNG-West as filed in the Application and subject to the following:
    - The adjustments identified by PNG during the proceeding, as summarized in section 5 of its final argument; and
    - The directives and determinations outlined in this order and the decision issued concurrently.
2. PNG is approved to set the RSAM rate rider at a credit of $0.786/GJ on a permanent basis, effective January 1, 2022.
3. PNG is directed to submit in its future RRAs, operating and administrative and general expense line items on a gross basis before the shared service cost recoveries from Pacific Northern Gas (N.E.) Ltd.
4. PNG is directed to remove the forecast compensation costs for the new independent director expected to be incurred prior to the planned date of the retirement of the chair of the Audit Committee from the total forecast 2022 TriSummit Utilities Inc. (TSU) Shared Corporate Services Costs.
5. PNG is directed to include in its next RRA:
    - A clear delineation of the positions and employee costs billed to growth opportunities unrelated to existing TSU businesses as outlined in section 2.1.2 of the decision; and
    - A Transmission Mainline Integrity Campaign Execution Plan as outlined in section 3.2 of the decision.
6. PNG is approved to record unplanned integrity-related capital expenditures of $12.662 million incurred in 2021 as capital additions in 2021 in PNG's rate base for the purposes of setting rates going forward.
7. PNG is directed to update the 2022 forecast capital expenditures in its final regulatory schedules to reflect the proposed adjustments to the Salvus to Galloway Remediation Project and the Reactivation Project, respectively.

8. PNG is directed to file a strategic rate impact mitigation plan as soon as there is greater certainty on the Rate Schedule 80 shippers' in-service dates and, in any event, is directed to file an update on its work on this plan in its next RRA.

9. PNG is approved to amortize $0.605 million of the balance in the LNG Partners Option Fee Payment deferral account in 2022. PNG is also approved to change the interest rate for this deferral account from the previously approved short-term interest rate to weighted average cost of debt, to be applied commencing in 2022.

10. PNG is approved to amortize the COVID-19 deferral account balance of $1.058 million as at December 31, 2021 in the 2022 Test Year. PNG is also approved to maintain this deferral account for the Test Year 2022 and beyond and continue to capture costs and savings due to the pandemic on an ongoing basis. In the event that the pandemic ceases to be of concern after 2022, PNG is directed to address, as part of its next RRA, the disposition of the balance in the COVID-19 deferral account and the potential closure of the account after 2022 if warranted.

11. PNG is approved to close the following deferral accounts at the end of 2022 following the full amortization/transfer to capital of the remaining balances in Test Year 2022:

    - The Transfer Pricing/Interaffiliate Recoveries deferral account; and

    - The Reactivation Project Development Cost deferral account.

12. PNG is approved to establish the Incremental CCA deferral account to record the capital cost allowance (CAA) on unplanned capital expenditures in 2021, attracting interest at PNG's short-term interest rate. The balance is to be fully amortized in 2022. As the federal Accelerated Investment Incentive will continue until 2027, PNG is further approved to maintain the Incremental CCA deferral account from 2022 to 2027 to capture any CCA on PNG's unplanned capital expenditures during that period, with an amortization period of one year.

13. PNG is approved to establish the RECAP Deferred Demand Charges deferral account to record interest recovered from currently contracted RECAP [Reactivated Capacity Allocation Process] shippers for the period of 2020 and 2021, attracting interest at PNG's weighted average cost of debt. The balance is to be creditable against the shippers' demand charges once service to them commences.

14. PNG is approved to establish the CIS Project Recoveries deferral account to record net SAP CIS [Customer Information System] Project recoveries realized in 2020 and 2021, attracting interest at PNG's short-term interest rate. The balance is to be fully amortized in 2022, and the deferral account dissolved thereafter.

15. PNG is approved to establish the Shared Corporate Services Costs Variance deferral account to record its portion of the variances in actual TSU Shared Corporate Services Costs from forecast amounts, including those realized in 2020 and 2021, attracting interest at PNG's short-term interest rate. The December 31, 2021 balance is to be fully amortized in 2022. PNG is also approved to maintain the Shared Corporate Services Costs Variance deferral account beyond 2022 to capture annual variances in PNG-West's actual TSU Shared Corporate Services Costs from forecast amounts, with an amortization period of one year.

16. PNG is approved to increase the unaccounted for gas (UAF) component of Company Use gas from 0.0 percent to 1.0 percent and the loss cap for the UAF Volume deferral account from 1.0 percent to 1.25 percent.

17. PNG is directed to re-calculate the 2022 revenue requirements and delivery rate changes reflecting the adjustments summarized in final argument, along with the directives and determinations outlined in this order and further described in the decision issued concurrently. PNG is directed to file revised regulatory schedules with the BCUC for endorsement within 30 days of this order.

18. PNG is directed to collect from/refund to customers the difference between the 2022 interim delivery rates and the 2022 permanent delivery rates, together with the difference between the interim and permanent 2022 RSAM rate rider, at the average prime rate of PNG's principal bank for its most recent year.

19. PNG must inform all customers of permanent 2022 delivery rates by way of written notice to be included with their next customer invoice after PNG's compliance filing has been accepted by the BCUC.

20. PNG is directed to comply with all other directives contained in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of October 2022.

BY ORDER

Original signed by:

A. K. Fung, KC
Commissioner