



Verlon G. Otto
Director, Regulatory Affairs

Pacific Northern Gas (N.E.) Ltd.
2550 - 1066 West Hastings Street
Vancouver, BC V6E 3X2
Tel: (604) 691-5680
Fax: (604) 697-6210
Email: votto@png.ca

Via E-Mail and Courier

March 28, 2018

B.C. Utilities Commission
Suite 410 - 900 Howe Street
Vancouver, BC V6Z 2N3

File No.: 4.2 (2018)

Attention: Patrick Wruck
Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: Pacific Northern Gas (N.E.) Ltd.
Application for a Certificate of Public Convenience and Necessity to
Acquire and Operate the North Pine Fuel Gas Pipeline – Project No. 1598937
Final Argument**

Accompanying, please find the Final Argument on the matter of Pacific Northern Gas (N.E.) Ltd.'s Application for a Certificate of Public Convenience and Necessity to Acquire and Operate the North Pine Fuel Gas Pipeline.

Printed copies of the Final Argument will follow by courier, including 10 copies to the Commission's office and one copy to each of the parties who registered as interveners in this proceeding.

If you require further information or have any questions regarding this submission, please contact the undersigned.

Yours truly,

A handwritten signature in black ink, appearing to read 'Verlon Otto'.

V.G. Otto

cc: Leigha Worth – BCOAPO
Jim Wightman – BCOAPO

PACIFIC NORTHERN GAS (N.E.) LTD.

Fort St. John / Dawson Creek Service Area

**Application to the
British Columbia Utilities Commission
for a Certificate of Public Convenience and Necessity
to Acquire and Operate the North Pine Fuel Gas Pipeline**

FINAL ARGUMENT

March 28, 2018

PACIFIC NORTHERN GAS (N.E.) LTD.
CPCN APPLICATION FOR NORTH PINE FUEL GAS PIPELINE
FINAL ARGUMENT

TABLE OF CONTENTS

A. INTRODUCTION	1
B. PROJECT JUSTIFICATION.....	3
(a) Customer.....	3
(b) Project Need	3
(c) Project Benefits.....	4
(i) Financial Benefits	4
(ii) Developmental Opportunities.....	5
(d) Project Risks	5
(i) Financial Risk Assessment	5
(ii) Operational Risk Assessment	7
C. PROJECT DESCRIPTION, COSTS, CONTRACTUAL ARRANGEMENTS AND APPROVALS	8
(a) Project Description.....	8
(i) Pipeline Ownership	8
(ii) Construction Alternatives.....	8
(iii) Pipeline Capacity	9
(b) Project Costs	10
(i) Capital Cost.....	10
(ii) Operating Costs	11
(c) Contractual Arrangements.....	12
(i) Transportation Services Agreement (TSA)	12
(ii) Cost Reimbursement Agreement (CRA).....	12
(iii) Pipeline Conveyance Agreement (PCA).....	12
(iv) Master Access Agreement (MAA)	13
(d) Approvals and Authorizations.....	13
D. CONCLUSION.....	14

A. INTRODUCTION

1. On December 4, 2017, Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) submitted an application to the British Columbia Utilities Commission (Commission) seeking approval for a Certificate of Public Convenience and Necessity (CPCN), pursuant to section 45 of the *Utilities Commission Act* (UCA), to acquire ownership of and to operate a new 5.3 kilometer fuel gas pipeline (Fuel Gas Pipeline) to provide fuel gas transport service to the AltaGas Northwest Processing Limited Partnership (AltaGas NPLP) at its North Pine Facility (Application).
2. The Fuel Gas Pipeline is a new fuel gas pipeline providing transport services for natural gas to the AltaGas NPLP North Pine Facility. Based on a lower cost forecast and significant qualitative considerations around permitting, consultation, routing and work scheduling requirements, the construction of the Fuel Gas Pipeline was completed by AltaGas NPLP.
3. In the Application, PNG(NE) sought approval for a capital expenditure not to exceed \$1.8 million for the acquisition and operation of the Fuel Gas Pipeline. This cap of \$1.8 million was incorporated into the contractual arrangements to address budgetary risk. With construction of the Fuel Gas Pipeline complete, the final cost for PNG(NE)'s acquisition of the Fuel Gas Pipeline has been determined to be approximately \$1.712 million.
4. The North Pine Facility is designed and currently permitted for two phases. Fuel gas requirements for phase one of the North Pine Facility have been estimated to be 280,000 GJ per year. Fuel requirements are expected to double to 560,000 GJ per year with the completion of phase two of this project. The economics for the Fuel Gas Pipeline project presented in the Application were determined exclusively on the conservative basis that only a standalone phase one project would commence operations.
5. PNG(NE) has entered into a transportation services agreement (TSA) with AltaGas NPLP for an initial period of 20 years. Under the TSA, PNG(NE) will provide service to AltaGas NPLP at the Small Industrial Service Rate (RS10) applicable to the Fort St. John/Dawson Creek service area for a firm volume of 280,000 GJ per year, with a minimum monthly take-or-pay commitment equivalent to 240,000 GJ per year.

6. PNG(NE) requested an expedited review process as service to AltaGas NPLP was planned to commence in early December 2017, however the Commission determined that a written hearing was necessary for the review of the Application.

7. The sole Registered Intervener in the proceeding is the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Counsel of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre (BCOAPO et al.). In addition, Alexander Davidson registered as an Interested Party in the proceeding.

8. The regulatory process associated with this Application consisted of one round of Information Requests (IRs) on the Application directed at PNG(NE).

9. PNG(NE) submits that, as evidenced in the Application and further explained in the responses to IRs and as summarized in the submissions that follow, approval of the CPCN sought in this Application is in the public interest as acquiring and operating the Fuel Gas Pipeline will provide benefits to existing PNG(NE) customers and will also provide a platform for potential growth in this area. Further, PNG(NE) submits that there is no reason for the Commission not to provide the approval requested.

10. The submissions below generally follow the framework of the Application, addressing the justification for the CPCN, including the project need, benefits and risks, followed by matters relating to project costs and contractual arrangements.

B. PROJECT JUSTIFICATION

(a) Customer

11. This Application and the contractual arrangements underlying the proposed transaction were prepared in response to a request to PNG(NE) for service from a customer, AltaGas NPLP. AltaGas NPLP is a related party and an affiliate of PNG(NE) by virtue of their common parent company, AltaGas Ltd.

12. PNG(NE)'s response to the request for service from AltaGas NPLP is considered typical to that which would be made by the utility for any request for service, including a proposal for service under an existing tariff for an established period. In addition, PNG(NE) secured fixed take-or-pay volumes to ensure PNG(NE)'s recovery of its anticipated costs of providing service. Further, PNG(NE) has complied with acceptable business practices in its negotiations to purchase assets from AltaGas NPLP at AltaGas NPLP's actual cost to construct and is seeking Commission approval of the proposed transaction. There has been no favoured treatment extended to AltaGas NPLP.¹

13. PNG(NE) submits that its discussions with AltaGas NPLP culminated in planning the most efficient and cost-effective pathway for constructing the facilities necessary to provide service to AltaGas NPLP and to securing definitive contractual arrangements to document the arrangements.

(b) Project Need

14. At the time the Application was drafted, AltaGas NPLP was in the process of completing the construction of the first phase of its North Pine Facility, a 20,000 Bbls/day natural gas liquids separation and handling facility located approximately 40 kilometers northwest of Fort St. John, British Columbia, as well as the construction of two Liquids Supply Pipelines to transport condensate and natural gas liquid (NGL) feedstock products for the facility. Construction of the North Pine Facility has since been completed and was commissioned and operational on November 9, 2017.²

15. The North Pine Facility is designed to receive a Natural Gas Liquids mix (C3+) and to fractionate that mix into three product streams: propane (C3); butane (C4); and natural gas condensate (C5+).

¹ Exhibit B-3, PNG(NE) Response to BCUC IR 1.12.1.1

² Exhibit B-2, PNG(NE) Response to BCOAPO IR 1.2.1; Exhibit B-3, PNG(NE) Response to BCUC IR 1.1.1

AltaGas NPLP has secured long-term contracts for the export to Asia of the propane production from the North Pine Facility. AltaGas NPLP will be contracting for sales of the butane and condensate production on a spot or one-year term basis as is typical for these products.³

16. Necessary to the operations of the North Pine Facility is natural gas as fuel supply for the facility. AltaGas NPLP had approached PNG(NE) to provide transportation service for its contracted natural gas supply from CNRL's nearby Stoddart processing plant to the North Pine Facility. This would require the construction of the new Fuel Gas Pipeline.

(c) Project Benefits

17. The primary benefits associated with PNG(NE)'s acquisition and operation of the Fuel Gas Pipeline are two-fold in nature, financial benefits to existing customers and developmental opportunities for future customers.

(i) Financial Benefits

18. The acquisition and operation of the Fuel Gas Pipeline will provide financial benefit to PNG(NE)'s other customers in the Fort St. John/Dawson Creek service area. This benefit will be realized in the form of positive rate impacts from the incremental margin realized on providing service to AltaGas NPLP.

19. In the Application PNG(NE) presented a financial analysis under what it considered the most conservative scenario, applying a capital cost of \$1.8 million, the RS10 rate in place at the time, the contractual minimum take-or-pay volume of 240,000 GJ per year, and standard depreciation rates. Exhibit 3-1 was presented to illustrate anticipated guaranteed incremental revenues of \$3.895 million with a net present value (NPV) of \$2.333 million and anticipated guaranteed incremental margin of \$0.977 million with a NPV of \$0.523 million over the initial 20-year term of the TSA under this scenario. In response to BCUC IR 1.9.1, PNG(NE) presented Table 9.1a to illustrate the annual rate impact for all affected customer classes of the incremental margin.

20. In response to BCUC Confidential IR 1.2.1, PNG(NE) provided an update to Exhibit 3-1 by incorporating the final capital cost estimate of \$1.712 million, the increase in the RS10 rate effective

³ Exhibit B-3, PNG(NE) Response to BCUC IR 1.1.2.2

January 1, 2018, and a revised service commencement date of May 1, 2018. This updated analysis illustrated revised guaranteed incremental revenues of \$4.093 million with a NPV of \$2.607 million and revised guaranteed incremental margin of \$1.393 million with a NPV of \$0.911 million over the initial 20-year term of the TSA. The response to BCUC Confidential IR 1.2.1 also included an update to Table 9.1a provided in response to BCUC IR 1.9.1 to illustrate the annual rate impact for all affected customer classes as per this updated analysis.

21. In addition to the foregoing rate benefits, PNG(NE) identified the potential for additional financial benefits that were not incorporated into the financial analysis presented in the Application. These include potential benefits to be realized should the contract for service with AltaGas NPLP be extended beyond the initial 20-year period, and potential benefits to be realized in the event that AltaGas NPLP were to proceed with phase two of the North Pine Facility.⁴

(ii) Developmental Opportunities

22. While justification for the acquisition and operation of the Fuel Gas Pipeline stands on its own from a financial perspective, PNG(NE) notes that the project has the potential to provide ancillary benefits as it will provide a platform to attract and serve additional customers in the area. With the Fuel Gas Pipeline's proximity to the active Montney gas exploration region, PNG(NE) would be well positioned to attract and provide service to new industrial customers who may choose to locate in the vicinity of the Fuel Gas Pipeline.

(d) Project Risks

(i) Financial Risk Assessment

23. PNG(NE) submits that there are negligible financial risks associated with the acquisition and operation of the Fuel Gas Pipeline as these have been mitigated through contractual arrangements. For example, as per the CRA, a price cap of \$1.8 million was established for PNG(NE)'s acquisition cost of the Fuel Gas Pipeline to address budgetary risk. As noted previously, final costs are now known and estimated to be \$1.712 million, which is lower than the price cap amount.

⁴ Exhibit B-1, Section 3.3.1, Financial Benefits

24. Further, as per the TSA, the RS10 tariff to be paid by AltaGas NPLP, the forecast contracted demand, and the inclusion of a minimum take-or-pay component to the contract demand are such that all capital and operating costs will be recovered.

25. In addition, in the event the TSA is terminated before the end of the 20-year primary term, the TSA provides that PNG(NE) is entitled to "... the net present value of the Firm Demand Charge for the Contract Demand for the remainder of the Primary Term". These provisions were incorporated into the contractual arrangements to eliminate the risk of asset stranding and minimize the risk of adverse rate impacts on PNG(NE)'s other customers.⁵

26. In response to BCOAPO IR 1.9.2, PNG(NE) described what it considered to be the "most pessimistic scenario", and what the ratepayer impacts of this scenario would be. Under this scenario, AltaGas NPLP would contract for service under the contractual arrangements as presented in the Application and would take service only at the minimum annual take-or-pay volume of 240,000 GJ per year and only for the initial 20-year term, with the assets being retired at the end of the term. As described, this scenario would generate negative incremental margin of \$281,000 over a 25-year period, with the negative incremental margin arising from the amortization of the plant gains/losses deferral account in years 21 to 25. On a simplified basis, the average annual negative incremental margin would be approximately \$11,000 over the 25-year period, with the average residential customer bill impact being a negligible \$0.35 annual increase during the 25-year period under this "most pessimistic scenario". Under this scenario, customers would see a savings over the first 20 years, followed by an increase in years 21 to 25 due to the amortization of the plant gains/losses deferral account.⁶

27. As noted previously, the final cost estimate for the Fuel Gas Pipeline is \$1.712 million, which is lower than the price cap of \$1.8 million as per the CRA. Also, the RS10 rate effective January 1, 2018 increased to \$0.7273 per GJ⁷ from the rate of \$0.6602 per GJ effective at the time the TSA was executed. Incorporating this lower capital cost and this higher tariff rate into the financial analysis of this "most pessimistic scenario" results in an annual bill impact that is even lower than the \$0.35 increase noted in response to BCOAPO IR 1.9.2.

⁵ Exhibit B-3, PNG(NE) Response to BCUC IR 1.1.4

⁶ Exhibit B-2, PNG(NE) Response to BCOAPO IR 1.9.2

⁷ Exhibit A2-1, PNG(NE) Small Industrial Service Rate (RS10) effective January 1, 2018

(ii) Operational Risk Assessment

28. PNG(NE) submits that there are negligible operational risks associated with the acquisition and operation of the Fuel Gas Pipeline that have not been mitigated through contractual arrangements. In regard to the construction of the pipeline, PNG(NE) had been consulted on the design and on preferred vendors for materials and equipment. Further, the pipeline has been constructed to PNG(NE)'s standards, the installation was inspected periodically during construction, and PNG(NE) was consulted for final engineering sign-off on completion.

29. In addition, there are no identified risks associated with the ongoing operation and maintenance of the pipeline. As noted, pipeline operations and maintenance constitute PNG(NE)'s core business activity and this activity would be administered by PNG(NE)'s district office in Fort St. John.

C. PROJECT DESCRIPTION, COSTS, CONTRACTUAL ARRANGEMENTS AND APPROVALS

(a) Project Description

30. Construction of the new 5.3 km Fuel Gas Pipeline was necessary to provide transport services for the fuel gas to be supplied to the AltaGas NPLP North Pine Facility by CNRL. As noted, the North Pine Facility is designed and currently permitted for two phases. Fuel gas requirements for phase one of the North Pine Facility have been estimated to be 280,000 GJ per year. Fuel requirements are expected to double to 560,000 GJ per year with the completion of phase two of this project.

(i) Pipeline Ownership

31. AltaGas NPLP had considered owning and operating the Fuel Gas Pipeline, however this alternative was dismissed as the operation and maintenance of fuel gas pipelines is not core to the AltaGas NPLP North Pine Facility business. Factors influencing this decision are not dissimilar to those of other industrial customers served by PNG(NE), and include considerations such as reduced project capital and operating and maintenance costs related to fuel gas supply.⁸

32. As PNG(NE)'s core competency is the operation and maintenance of natural gas transmission and distribution pipelines for the purpose of delivering natural gas to customers, and as the North Pine Facility would be considered to be located within PNG(NE)'s service area, PNG(NE) has an interest in gaining the North Pine Facility as a customer and providing it with the required transportation service. As described in the Application and in this submission, acquiring and operating the Fuel Gas Pipeline will provide benefits to existing PNG(NE) customers and will also provide a platform for potential future growth in this area.⁹

(ii) Construction Alternatives

33. A key consideration in the request for service was whether the Fuel Gas Pipeline would be constructed by PNG(NE) or by AltaGas NPLP. In early 2017, PNG(NE) and AltaGas NPLP prepared cost estimates for their respective scenario for construction of the Fuel Gas Pipeline. Based on a review of

⁸ Exhibit B-2, PNG(NE) Response to BCOAPO IR 1.3.1; Exhibit B-3, PNG(NE) Response to BCUC IR 1.1.5.1

⁹ Exhibit B-2, PNG(NE) Response to BCOAPO IR 1.3.1; Exhibit B-3, PNG(NE) Response to BCUC IR 1.1.5.1

the cost estimates and qualitative factors, it was clear that PNG(NE) could not undertake the construction of the Fuel Gas Pipeline for a cost lower than AltaGas NPLP primarily due to activities already completed by AltaGas NPLP and to the economies of scale that could be achieved by AltaGas NPLP in carrying out the project. These activities included right-of-way negotiation and acquisition, First Nations consultation, permitting, and land clearing. In addition, under the AltaGas NPLP construction alternative there were significant savings identified from making use of a common trench with the Liquids Supply Pipelines and from utilizing a single work crew for both projects.¹⁰

34. Based on the lower cost forecast and the qualitative considerations noted, the construction of the Fuel Gas Pipeline was undertaken by AltaGas NPLP and was completed in November 2017. In the interim period, while this Application is under review, AltaGas NPLP is operating the Fuel Gas Pipeline to transport its contracted gas supply from CNRL.¹¹

(iii) Pipeline Capacity

35. The Fuel Gas Pipeline was designed and built to accommodate future expansion of the North Pine Facility (phase one plus phase two), plus potential for new PNG(NE) customers that may locate in the vicinity of the pipeline (up to an additional 3 mmscfd). The maximum capacity of the Fuel Gas Pipeline is 5.9 mmscfd.¹²

36. PNG(NE) notes that while the Fuel Gas Pipeline was constructed to accommodate increased future capacity, impacts on capital and operating costs are negligible. Further, the use of 88.9 mm (NPS 3) pipe was considered necessary given hydraulic and pressure drop limitations of 60.3 mm (NPS 2) pipe, and the higher capital cost of the 88.9 mm (NPS 3) pipe was largely offset by the need for fewer welds due to the longer joint length of this type of pipe. In addition, the use of the 88.9 mm (NPS 3) pipe avoids future social or environmental disturbance from construction that might be necessary to meet the needs of future capacity.¹³

¹⁰ Exhibit B-2, PNG(NE) Response to BCOAPO IR 1.6.1 and 1.7.1

¹¹ Exhibit B-2, PNG(NE) Response to BCOAPO IR 1.2.1; Exhibit B-3, PNG(NE) Response to BCUC IR 1.2.1.2

¹² Exhibit B-3, PNG(NE) Response to BCUC IR 1.2.2

¹³ Exhibit B-3, PNG(NE) Response to BCUC IR 1.2.2

37. Although the North Pine Facility is designed and currently permitted for both phases, the economics for the Fuel Gas Pipeline project were determined exclusively on the basis that only a standalone phase one project would commence operations. Though there is no current timeline, should phase two be completed, there are no anticipated additional capital requirements and the incremental margin would be to the benefit of PNG(NE)'s existing customers. Therefore, PNG(NE) bears no risk related to changes in timeline or costs for a phase two project.¹⁴

(b) Project Costs

(i) Capital Cost

38. As noted previously, a key consideration in planning the development of the Fuel Gas Pipeline was the evaluation of two distinct alternatives for the construction of the pipeline: 1) construction by PNG(NE); and 2) construction by AltaGas NPLP. As part of the planning process, PNG(NE) and AltaGas NPLP developed a scope of work for completion of the project and cost estimates were prepared by both parties to support the development of the project.¹⁵

39. PNG(NE)'s Class 4 cost estimate came in at \$3.180 million, and the AltaGas NPLP Class 3 cost estimate was \$2.471 million. A comparison of the cost estimates made it clear that PNG(NE)'s costs to construct the Fuel Gas Pipeline could not be lower than those of AltaGas NPLP primarily due to activities already completed by AltaGas NPLP, including right-of-way negotiation and acquisition, First Nations consultation, permitting, and land clearing. As noted, under the AltaGas NPLP construction alternative there were significant economies of scale that could be achieved in the construction of the Fuel Gas Line concurrent with the Liquids Supply Pipelines by making use of a common trench and from utilizing a single work crew for both projects.

40. Given the significant cost advantages of the AltaGas NPLP construction alternative, it was determined that there would be no added value in updating the estimates and the decision was made for AltaGas NPLP to undertake the construction of the Fuel Gas Pipeline. As noted, construction of the Fuel Gas Pipeline was completed in November 2017 and the final cost has been determined to be \$1.712 million.

¹⁴ Exhibit B-3, PNG(NE) Response to BCUC IR 1.2.4.1.1

¹⁵ Exhibit B-1, Section 5, Project Cost Estimates

41. That the final cost is considerably lower than AltaGas NPLP's original estimate primarily reflects the provision for uncertainty in Class 3 cost estimates (-20% to +30%). Key factors contributing to this variance include: the anticipated fabrication of a building to house the meter was not required; the cost of valves and electrical materials were less than forecast; an underestimation of the efficiencies that would be realized in the construction of the Fuel Gas Pipeline in conjunction with the two Liquids Supply Pipelines; and the cost of installing the hot tap connection to the CNRL supply was less than anticipated.¹⁶

(ii) Operating Costs

42. As described in PNG(NE)'s Application, the cost of service forecast for the Fuel Gas Pipeline incorporated into the incremental margin analyses includes ratebase items and operating and maintenance costs.

43. Ratebase items in the cost of service forecast include provision for depreciation, taxes, capital cost allowance, interest, and return on equity. These costs are estimated to be approximately \$126,000 annually, with depreciation provided for at the average depreciation rate for distribution assets pipeline assets of 1.94%.¹⁷

44. PNG(NE) has estimated the annual maintenance and operating expenses to be \$15,786 based on costs recorded in BCUC Account 675 Mains and Services (Operating) and Account 875 Mains and Services (Maintenance). Activities for which costs are recorded in these accounts include leak surveys and leak repairs, line locates, valve servicing, right-of-way maintenance, close interval surveys, and investigative digs.¹⁸

45. As the Fuel Gas Pipeline is a new and relatively small pipeline, and based on PNG(NE)'s own experience with assets of this nature, PNG(NE) has not made any provision for operating or capital contingencies in its financial evaluation. Should unanticipated costs be incurred, they would generally be funded by certain operating and capital cost provisions for unspecified activities approved as part of

¹⁶ Exhibit B-1, Section 4, Project Cost Update

¹⁷ Exhibit B-3, PNG(NE) Response to BCUC IR 1.7.1

¹⁸ Exhibit B-3, PNG(NE) Response to BCUC IR 1.7.2

PNG(NE)'s revenue requirements applications.¹⁹

(c) Contractual Arrangements

46. PNG(NE) and AltaGas NPLP have concurrently entered into several agreements to effect PNG(NE)'s acquisition, operation and provision of transportation service to AltaGas NPLP. These agreements have been structured such that the Commission's approval of this Application is a condition precedent.

(i) Transportation Services Agreement (TSA)

47. As per the Application, PNG(NE) would acquire ownership and operate the Fuel Gas Pipeline and provide service under a 20-year TSA with AltaGas NPLP. As per the TSA, PNG(NE) will provide transportation service to AltaGas NPLP at the Small Industrial Service Rate (RS10) applicable to the Fort St. John/Dawson Creek service area for the contract demand, including a firm annual contract demand of 280,000 GJ, and a minimum monthly take-or-pay commitment based on the equivalent of 240,000 GJ per year, thereby providing PNG(NE) with a guaranteed revenue stream over the 20-year term of the contract.

(ii) Cost Reimbursement Agreement (CRA)

48. The CRA establishes the assets to be acquired by PNG(NE) and establishes the maximum purchase price to be paid. At the time of finalizing contractual arrangements, the magnitude of final costs was clear and a \$1.8 million price cap was incorporated into the CRA to address concerns around budgetary risk. As noted previously, final project costs are now known and are approximately \$1.712 million, lower than the \$1.8 million price cap, therefore there is no budget risk for this acquisition.²⁰

(iii) Pipeline Conveyance Agreement (PCA)

49. The PCA establishes the sale and conveyance to PNG(NE) of miscellaneous interests associated with the Fuel Gas Pipeline, including easements, rights-of-way and servitudes.

¹⁹ Exhibit B-3, PNG(NE) Response to BCUC IR 1.7.4 and 1.7.4.1

²⁰ Exhibit B-3, PNG(NE) Response to BCUC IR 1.4.1 and 1.5.1

(iv) Master Access Agreement (MAA)

50. The MAA establishes consent by both parties for access and work activities in the AltaGas NPLP right-of-way jointly occupied by the Liquids Supply Pipelines and the Fuel Gas Pipeline.

(d) Approvals and Authorizations

51. The only identified approval for PNG(NE)'s acquisition and operation of the Fuel Gas Pipeline is Commission approval of this instant Application for a CPCN to acquire and operate the Fuel Gas Pipeline. No other approvals are considered necessary.²¹

²¹ Exhibit B-3, PNG(NE) Response to BCUC IR 1.17.2

D. CONCLUSION

52. The evidence on record in this proceeding demonstrates that approval of the CPCN to acquire and operate the North Pine Fuel Gas Pipeline presents few risks to PNG(NE)'s existing customers. The RS10 rate to be paid and the minimum take-or-pay commitment by AltaGas NPLP are such that all capital and operating costs of the Fuel Gas Pipeline will be recovered and will provide positive rate impacts to other customers in the Fort St. John/Dawson Creek service area.

53. For the reasons described in these submissions, PNG(NE) respectfully submits that approval of the CPCN to acquire and operate the North Pine Fuel Gas Pipeline in order to provide transportation service to the AltaGas NPLP North Pine Facility is in the public interest and that the approval requested should be granted as sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

DATED at Vancouver, British Columbia this 28th day of March 2018.

PACIFIC NORTHERN GAS (N.E.) LTD.



Janet P. Kennedy

Vice President, Regulatory Affairs and Gas Supply