REQUESTOR NAME:	**BCOAPO *et al.***
INFORMATION REQUEST ROUND NO:	**#2**
TO:	**PNG West**
DATE:	**April 26, 2018**
APPLICATION NAME:	**2018-19 Revenue Requirements Application**

1.0 Reference: Exhibit B-5, BCOAPO IR 1.2.0, and Exhibit B1-1, page 7, Proposed Rate Deferral Mechanism

The referenced page states:

Without the proposed rate deferral mechanism, PNG-West's calculations indicate a Revenue sufficiency of $1.9 million for Test Year 2018 and a revenue deficiency of $2.5 million for Test Year 2019, with a cumulative total net revenue deficiency of $0.7 million for the two-year period. These results would necessitate a residential delivery rate decrease of 5.6% in 2018 and a subsequent increase of 7.9% in 2019.

1.1 Please confirm that a decrease of 5.6% in 2018 would eliminate the 2018 sufficiency attributed to residential ratepayers. If unable to so confirm, please explain.

1.2 Please confirm that subsequent to the 5.6% decrease in 2018, a 7.9% increase in residential rates would eliminate the 2019 revenue deficiency attributed to residential ratepayers. If unable to so confirm, please explain.

1.3 Please confirm that a residential delivery rate decrease of 5.6% in 2018, which would eliminate the 2018 sufficiency, could be interpreted as indicating that existing rates would over-recover the revenue requirement in 2018. If unable to so confirm, please explain.

1.4 Equivalently, please confirm that only 94.4% (i.e., 1 – 0.056) of the revenue raised in 2018 from residential delivery rates if existing rates were maintained would be required to eliminate the 2018 sufficiency. If unable to so confirm, please explain.

1.5 Please confirm that a delivery rate decrease of 5.6% in 2018 followed by a delivery rate increase of 7.9% in 2019, implies a net increase in residential delivery rates of [(1 – 0.056)(1 + 0.079) -1] = 0.018576 or 1.8576% for the two-year period. If unable to so confirm, please explain.

1.6 Please confirm that an increase of 0.9245% in 2018 and a similar increase in 2019, would raise 2019 residential rates such that the 2019 rates would be at the same level as they would be under the no-deferral account scenario, i.e., after a decrease of 5.6% in 2018 followed by an increase of 7.9% in 2019. If unable to so confirm, please explain.

1.7 If able to confirm the preceding, please explain why increases of 0.9245% in 2018 and in 2019 – which would lead to over-recovery in 2018 and forecasted revenue requirement recovery in 2019 – would not be a feasible alternative to a decrease of 5.6% in 2018 followed by an increase of 7.9% in 2019.

2.0 Reference: Exhibit B-5, BCOAPO IR 1.2.2

The response to the referenced IR states:

PNG confirms that if PNG were to increase rates in each year according to the suggestion in Question 2.1, which is to increase residential rates by 0.924% in both 2018 and 2019, PNG would over-collect from the residential rate class in 2018 as well as in 2019.

2.1 Please confirm that, save for a deferral account to record over-collection from residential customers in 2018 and 2019, the other deferral account proposals PNG is advocating for treating the sufficiency/deficiency issues in 2018 and 2019 would be unnecessary. If unable to so confirm, please explain.

2.2 If PNG agrees that annual increases of 0.924% in 2018 and 2019 would result in 2019 rates equal to what would obtain under a 5.6% decrease in 2018 followed by a 2019 increase of 7.9% (to eliminate the 2018 sufficiency and the 2019 deficiency), please explain why there would be a 2019 over-collection under the 0.924% increase scenario given that 2019 residential rates would be the same as under the decrease/increase of 5.6%/7.9% scenario.

2.3 Please discuss the pros and cons of the 0.924% suggestion implicit in this IR (or a more refined increase in each year under 1% that would eliminate the overall deficiency over the two-year period) versus PNG's proposals

3.0 Reference: Exhibit B-3, BCUC IR 1.5.1.1, Compressor Fuel and Total Deliveries

The referenced IR and response read:

5.1.1 How is the usage of compressor fuel correlated to total deliveries?

Response:

Although there is a strong correlation between compressor fuel usage and deliveries, it is not a direct straight-line correlation as compressor fuel can vary based dependent on a number of factors including: compression used in the transmission pipeline; line pack; cycling of compressors; and system operating pressure of the pipeline.

3.1 Has PNG W ever conducted a linear regression analysis of compressor fuel use versus deliveries? If so, please provide a summary of the results including R-squared, parameter estimates, standard errors, etc.

4.0 Reference: Exhibit B-3, BCUC IR 1.5.3, Company Use Gas

The referenced IR and response read:

5.3 Is office and shop heating correlated with total deliveries? If yes, please explain why. If not, please explain how these requirements are calculated.

Response:
Office and shop heating are not correlated with total deliveries, however the forecast has been derived averaging the prior three years of office and shop heating usage as a percentage of total deliveries multiplied by the test year deliveries. This was done to be consistent with forecasting the other line items of company use and yields similar results to averaging the recent three years of office and shop heating.

4.1 Please explain why the forecast methodology for office and shop heating uses as an input, an uncorrelated forecasted value (total deliveries) and historical values of the percentage of fuel of the uncorrelated variable, as opposed to just using a multi-year average - which PNG appears to use anyhow as a check on the methodology.

4.2 Are there other forecasted variables that use a historical average percentage of an uncorrelated variable and a forecast of the uncorrelated variable to calculate a forecasted value? If so, please provide a list of such variables.

5.0 Reference: Exhibit B-3, BCUC IR 1.8.4.1, Contractor Charges

The referenced IR and the response read:

8.4.1 If known please provide an explanation as to why the contractor charges have increased.

Response:
Actual contractor charges for 2016 increased over forecast amounts as, following a regulatory inspection by Technical Safety BC, PNG become aware of a requirement to test all relief valves, including those at the dormant stations, which had not been factored in the budgetary process.

5.1 Please confirm that PNG has in-house resources to track and ensure compliance with all applicable safety standards to ensure that this type of experience (i.e., becoming aware of an applicable requirement after the budget and application forecasts have been prepared) rarely occurs.

6.0 Reference: Exhibit B-3, BCUC IR 1.15.5, Corporate Contractor Costs

6.1 Please briefly describe how ratepayers will get value from the $50,000 line item in corporate contractor costs in 2019, including why these services are not required in 2018 and were not approved for 2017.

7.0 Reference: Exhibit B-3, BCUC IR 1.15.7, Office Rent and Parking

7.1 Please explain why Office Rent and Parking cost $13.5K in 2017 less than Decision 2017.

7.2 Please explain why Office Rent and Parking – which cost in actual terms $309,460 in 2016 – has increased to $350,250 in 2019, i.e., a 13.2 % increase over 3 years.