

REQUESTOR NAME: BCOAPO *et al.*
INFORMATION REQUEST ROUND NO: 1
TO: Pacific Northern Gas (N.E.) Ltd.
DATE: February 09, 2018
APPLICATION NAME: Certificate of Public Convenience and Necessity to Acquire and Operate the North Pine Fuel Gas Pipeline

1.0 Reference: Exhibit B1, Application, page 3 of 4 and Exhibit A-3, BCUC IR 6.1.1

The referenced page states:

Based on serving phase one of the North Pine Facility at the minimum take-or-pay volume established for the firm contract demand, PNG(NE) estimates incremental revenues with a net present value of \$2.333 million will be realized and will provide for the full recovery of the capital cost of the pipeline, as well as \$6,000 in incremental margin during the initial 20-year term of the service agreement.

- 1.1 Please clarify whether the \$6,000 incremental margin is a net present value that is calculated using the same discount factor as the \$2.333M figure.
- 1.2 Please provide a high level estimate of the average annual bill reduction for existing residential ratepayers in the event that the \$6,000 incremental margin is realized: if the \$6,000 incremental margin figure is not correct, please provide the average annual bill reduction for existing residential ratepayers under the corrected incremental margin.

2.0 Reference: Exhibit A-3, BCUC IR 1.1

- 2.1 If the North Pine facility is already in operation, under what terms and conditions is it receiving fuel gas?

3.0 Reference: Exhibit A-3, BCUC IR 3.2.1

- 3.1 From a regulatory standpoint, would there have been any impediments with respect to AltaGas NPLP owning and operating the Fuel Gas Pipeline?
- 3.2 If there were no regulatory impediments to AltaGas NPLP owning and operating the Fuel Gas Pipeline, were tax planning considerations salient with respect to the decision that PNG N.E. should own and operate the pipeline? If so, please elaborate and indicate the quantum of the benefit and to which party the tax benefit accrues; if not, please provide the determining factor(s) in the decision to have PNG N.E. own and operate the Fuel Gas Pipeline.

4.0 Reference: Exhibit B1, page 7, Exhibit 2-2, Comparison of Construction Alternatives

- 4.1 Please provide the date(s) on which the estimates presented in the referenced exhibit were finalized.
- 4.2 Please provide the date on which the parties agreed to the \$1.8M cap on construction costs.
- 4.3 Please provide PNG N.E.'s cost estimate and AltaGas NPLP's cost estimate at the time that both parties agreed to the \$1.8M cost cap.
- 4.4 Is there any reason that PNG N.E. knows of as to why AltaGas would agree to a \$1.8M cost cap when its own cost estimate materially exceeded \$1.8M?

5.0 Reference: Exhibit B1, page 17, Exhibit 4-1, AltaGas Anticipated Final Cost versus Original Cost Estimate

- 5.1 Please provide the dates on which the Anticipated Final Cost and the Original Cost estimates were prepared.

6.0 Reference: Exhibit B1, page 18, Exhibit 5-1, Capital Cost Components PNG N.E. and Appendix H

- 6.1 Did PNG N.E. revise its cost estimate subsequent to the one provided at Appendix H dated January 9, 2017? If so, please provide any subsequent revised estimates; if not, why not?

7.0 Reference: Exhibit B1, page 19, Exhibit 5-3, Cost Estimate Comparison, Appendix H and Appendix I

- 7.1 Please comment as to validity of the cost comparison provided in the first referenced exhibit given that the PNG N.E. estimate appears to be an unrevised estimate dated 9 January 2017 while the AltaGas estimate appears to be a revised estimate dated 9 May 2017.

8.0 Reference: Exhibit B1, page 19, Exhibit 5-3, Cost Estimate Comparison

In the discussion of variances, the referenced page states:

(f) Materials – this variance can primarily be attributed to PNG including the cost of the CNRL gas plant tap in materials as PNG(N.E.) would undertake this work internally, whereas AltaGas NPLP has classified this element as an activity and cost assigned to a subcontractor. The remaining variance can be attributed to differences in material costs and may reflect the finer precision of the AltaGas NPLP Class 3 estimate. [Emphasis added.]

- 8.1 Can PNG N.E. confirm that, with respect to the AltaGas estimate, the cost of the tap is included in a different category of costs (e.g., "Subcontractor) but included in its estimate? If so, can PNG N.E. provide the component of costs that AltaGas has assigned to the work on the gas plant tap.

9.0 Reference: Exhibit B1, General

- 9.1 Can PNG N.E. confirm that under no possible circumstances can existing ratepayers be adversely impacted by approval of this application? If not, please clarify.
- 9.2 Please provide the estimated annual benefit to a typical residential ratepayer of approval of this application under (i) the expected scenario, (ii) the most optimistic scenario, and (iii) the most pessimistic scenario.