REQUESTOR NAME:	**BCOAPO *et al.***
INFORMATION REQUEST ROUND NO:	**#2**
TO:	**PNG NE Fort St. John/Dawson Creek (FSJ/DC) Division**
DATE:	**May 10, 2018**
APPLICATION NAME:	**2018-19 Revenue Requirements Application**

1.0 Reference: Exhibit B-5, BCUC IR 1.12.1, Take or Pay and Deliveries

The referenced response states:

With regards to total deliveries, PNG(NE) would like to point out that a significant variance in the Actual 2017 deliveries compared to Decision 2017 deliveries pertains to one customer with a take-or-pay contract who took a lot less gas than the contract demand.

1.1 Can PNG NE confirm that a customer on a take-or-pay contract who takes less than their contract demand has no adverse financial impact on the utility serving them?

1.2 Is the customer who took less than her contract demand still contracting for the same contract demand in 2018 and 2019 as contracted for in 2017?

2.0 Reference: Exhibit B-5, BCUC IR 1.13.1 Table and BCUC IR 1.13.1.1, Automotive O&M Expenses

Response 1.13.1.1 states (in part):

Automotive
PNG generates its Automotive cost forecast on a consolidated basis and allocates amounts to PNGWest and the PNG(NE) divisions on a prorata basis on O&M and Capital labour costs. … On consolidated basis PNG had looked at the average spend on vehicles due to positive budget variances in 2016 and 2017 and has made use of the 2016 Actual costs inflated by 2% as the consolidated forecast for Test Year 2018. Actual overall Automotive costs have decreased from Decision 2017 mainly from reduced maintenance costs by performing equipment service on the vehicles internally as opposed to outsourcing it.

2.1 Given the variance explanation provided in 1.13.1.1, please explain why, in the referenced Table 13.1, the Automotive O&M expenses for 2018 appear to far exceed 2016 actual costs inflated by 2%.

3.0 Reference: Exhibit B-5, BCUC IR 1.13.7, New Engineering and Records Management Positions

The referenced response states (in part):

PNG(NE) submits that codes, standards, regulations, and accepted industry best practices that either govern or guide PNG(NE)'s business continue to evolve, as do the internal and external expectations associated with integrity management, project management, technical design, quality control, document control, data accuracy, completeness, and accessibility, and demonstration of due diligence. PNG and PNG(NE)'s current limited resources are already overworked trying to meet present day levels of expectations; therefore additional resources are required to focus on the delivery of the key elements noted. …

3.1 Has there been a recent increase in either the number of codes, standards, etc., or in their speed of evolution that now necessitates an increase in staff?

4.0 Reference: Exhibit B-5, BCUC IR 1.15.4, Written Off Accounts

4.1 Please briefly explain the accounting treatment of monies recovered by a collection agency after the associated account was written off.

5.0 Reference: Exhibit B-5, BCUC IR 1.16.2, Close Interval Survey Costs

5.1 Is it reasonable to expect that close interval survey costs will be approximately proportional to pipeline length inspected?

6.0 Reference: Exhibit B-5, BCUC IR 1.20.3, Forecasting Retirement Dates

6.1 Given the response to the referenced IR, is it fair to say that employees do not have to inform the utility ahead of time of the exact date or month that they intend to retire?

7.0 Reference: Exhibit B-5, BCUC IR 1.20.5, Discount Rates and Interest Rates

The cited response refers to a <u>decrease</u> in the discount rate from 3.81% to 3.60%.

7.1 Given that there is an expectation of the Bank of Canada <u>raising</u> its overnight interest rate in 2018, does it make sense to use a <u>lower</u> discount rate for the 2018 and 2019 Test Years?

8.0 Reference: Exhibit B-6, BCOAPO IR 1.2.4, PNG NE Rates Proposal

The referenced IR included the following preamble extracted from the amended evidence:

"On page 6, the Amended Application states:

Without the proposed rate deferral mechanism, PNG(NE)'s calculations indicate a revenue deficiency of $0.515 million for Test Year 2018 and a revenue deficiency of $0.970 million for Test Year 2019, with a cumulative total revenue deficiency of $1.485

million for the two-year period. These results would necessitate a residential delivery rate increase of approximately 7.5% in 2018 and a subsequent increase of approximately 3.7% in 2019. The primary reason for the large revenue deficiency in Test Year 2018 is mainly due to the continuing decline in the use per account, in particular for residential customers, and the impact of continued capital investment in the northeast region.

8.1 Is it a correct interpretation of the evidence that, absent deferral account treatment such as proposed by PNG NE in this proceeding, residential delivery rates would be increased by 7.5% in 2018 and by 3.7% in 2019?

8.2 If the response to 8.1 confirms the suggested interpretation, can PNG NE confirm that a rate increase of 7.5% in 2018 followed by a further increase of 3.7% in 2019 would raise residential delivery rates by **11.4775%** in 2019 over 2017 rates?

8.3 In the response to BCOAPO 1.2.4, PNG NE explains that its proposal is to raise rates by 6.3% in 2018 and a further 6.1% in 2019, in conjunction with its smoothing deferral proposal. Can PNG NE confirm that an increase of 6.3% in 2018 followed by a further increase of 6.1% in 2019 would raise 2019 rates by **12.7843%** above 2017 rates?

9.0 TOPIC: Rate Design Alternatives

9.1 Is PNG NE currently considering any initiatives with respect to providing rate relief to low income households? If so, please provide details. If not, please explain why this is not currently being done and the timeline during which the utility expects to begin addressing this issue.

9.2 Would one of the rate design alternatives that PNG NE explore be a change in the percentages of revenue recovered through the fixed and the variable components of the delivery charge?

9.3 Please provide PNG NE's views with respect to the appropriate revenue recovery (i) from the fixed charge and (ii) the variable charge.