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Via E-Mail

BCUC File: 57401

May 4, 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: Application for Approval of Letter Agreement between Pacific Northern Gas Ltd. and Triton LNG Limited Partnership Dated March 29, 2018
Further Clarification of Approvals Sought**

Pacific Northern Gas Ltd. (PNG) wishes to further clarify the approvals being sought in connection with the Application for Approval of the Letter Agreement between PNG and Triton LNG Limited Partnership (Triton) dated March 29, 2018 (Application) filed with the British Columbia Utilities Commission (Commission) on April 9, 2018, and also to provide a draft form of the order sought by PNG attached as an Appendix.

APPROVALS SOUGHT

In the Application filed, PNG sought approval of the Letter Agreement entered into between PNG and Triton on March 29, 2018. Pursuant to sections 59 to 61 of the Utilities Commission Act (Act), PNG is also applying to the Commission for approval of an interest bearing deferral account to capture any option fees received.

PNG respectfully reiterates that approval of the Letter Agreement by the Commission would be in the public interest and in the best interests of PNG's customers and respectfully requests that the Commission approve the Application as presented.

As noted in the Application, Triton has emphasized the need for a prompt review of this Application and PNG is therefore prepared to quickly address any questions the Commission may have and welcomes comments and questions from the parties copied by this letter and would welcome an expedited regulatory process.

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

Yours truly,

A handwritten signature in cursive script, appearing to read "J.P. Kennedy".

J.P. Kennedy

- cc. BC Public Interest Advocacy Centre – Leigha Worth, Executive Director & General Counsel
- Triton LNG Limited Partnership – Dan Woznow, VP & General Manager of Energy Exports
- BC Hydro – Fred James, Chief Regulatory Officer
- Shell Energy North America (Canada) Inc. – Mary McCordic, Marketing Director
- Absolute Energy – Peter Kresnyak, President

APPENDIX

Draft Commission Order



ORDER NUMBER

G-xx-18

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Pacific Northern Gas Ltd. (“PNG”) Application for Approval of Letter Agreement
between PNG and Triton LNG Limited Partnership (“Triton”)

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on July xx, 2018

ORDER

WHEREAS:

- A. On April 9, 2018, Pacific Northern Gas Ltd. (“PNG”) filed with the British Columbia Utilities Commission (“Commission”) a Letter Agreement (“Letter Agreement”) with Triton LNG Limited Partnership (“Triton”) for PNG to provide Triton with an option on firm and interruptible transportation service for a proposed small modular LNG or methanol export project to be located at Ridley Island, B.C. (“Application”); and
- B. The Letter Agreement provides for the payment by Triton of an option fee of \$0.5 million (“Initial Option Fee”) into an escrow account for an option to contract for 20 MMcf/day of firm pipeline capacity on PNG pipeline system. The Initial Option Fee was paid into escrow on April 2, 2018 and will be paid to PNG upon certain conditions being met which include receiving Commission approval of the Letter Agreement; and
- C. The Letter Agreement also provides for a payment by Triton for an option to contract for additional capacity between 20 MMcf/day to approximately 50 MMcf/day (“Expanded Capacity”) for \$25,000 for each 1 MMcf/day of Expanded Capacity, following receipt of a proposal from PNG setting out the terms on which PNG would be willing to provide such Expanded Capacity to Triton (“Expanded Capacity Notice”); and
- D. The initial option period commenced upon execution of the Letter Agreement and will end on the date that is 12 months after the Initial Option Fee is paid to PNG and may be extended for three subsequent times by six month periods with payment of the aggregate of \$250,000 plus \$12,500 for each 1 MMcf/day of the Expanded Capacity accepted by Triton for each six month extension (“Option Extension Fees”); and

- E. If Triton exercises its option to contract for firm gas service, PNG will file with the Commission a fully executed definitive firm gas transportation service agreement that is materially the same as the agreement contemplated under the Letter Agreement upon receiving Commission approval of the Letter Agreement. The Letter Agreement proposes a unit demand charge of \$ ♦/GJ, plus such incremental amount as may be included in an Expanded Capacity Notice issued by PNG, applicable during the primary term of 20 years, to be escalated by inflation on the 11th contract year and upon commencement of any renewal term. Triton will supply in kind the percentage of Company use gas required for the daily deliveries to Triton and estimated to be at most four percent; and
- F. PNG submits that Triton has emphasized the need for a prompt review of the Application and that it is prepared to quickly address any questions the Commission may have in respect of these arrangements and welcomes comments and questions from interested parties; and
- G. By Order G-xx-18, the Commission established an expedited regulatory review process consisting of ♦; and
- H. Following the regulatory review process, the Commission has considered the submissions in PNG's Application and those made in the context of a similar arrangements (now terminated) that were approved by the Commission under Order No. G-174-08 for the approval of a Term Sheet with LNG Partners LLC and G-39-09 for the approval of the Letter Agreement with Merrill Lynch Commodities, Inc.; and
- I. The Commission has considered the Application and concludes that it should be approved.

NOW THEREFORE pursuant to sections 59 – 61 of the Utilities Commission Act, the Commission determines as follows:

1. The Commission approves the Letter Agreement between PNG and Triton dated March 29, 2018 subject to the following:
 - The Initial Option Fee, Extended Capacity Option Fees and any Option Extension Fees to be recorded in an interest bearing, non-rate base deferral account for future disposition as directed by the Commission's future determinations commencing with respect to PNG's 2020-2021 Revenue Requirements Application.
 - If Triton exercises its option to contract for firm pipeline capacity, PNG is required to submit an executed firm gas transportation service agreement, materially the same as the agreement contemplated under the Letter Agreement for Commission approval.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of July 2018

BY ORDER

(X. X. last name)
Commissioner