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Via Web Upload and Courier

July 24, 2018

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

File No.: 4.2.7 (2018)

Attention: Patrick Wruck
Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: Pacific Northern Gas Ltd.
Application for Approval of Letter Agreement between
Pacific Northern Gas Ltd. and Triton LNG Limited Partnership
Responses to BCUC Information Request No. 2**

Accompanying, please find Pacific Northern Gas Ltd.'s responses to the referenced information requests uploaded to the Commission's website earlier today.

Ten printed copies of the responses will be distributed to the Commission's office by courier. Printed copies will be provided to other parties upon request only.

Please direct any questions regarding the application to my attention.

Yours truly,

A handwritten signature in black ink that reads 'Janet Kennedy' in a cursive script.

J.P. Kennedy

**Pacific Northern Gas Ltd.
Pacific Northern Gas Ltd. and Triton LNG Limited Partnership
Letter Agreement Application**

INFORMATION REQUEST NO. 2 TO PNG

**5.0 Reference: INITIAL CAPACITY
Exhibit B-2, BCUC IR 1.2, 1.2.2
Firm service volume – initial capacity**

In response to British Columbia Utilities Commission (BCUC) IR 1.2, Pacific Northern Gas Ltd. (PNG) provides an estimated capital cost for recommissioning the PNG West system (not including the interconnecting pipeline work) of \$5.9 million.

PNG further states the following in response to BCUC IR 1.2:

To deliver the full 20 MMcf/day to the delivery point on Ridley Island, PNG would also need to perform pipeline work involving design and construction of an approximately 13 kilometre NPS 8 or greater pipeline from PNG's existing Galloway Station to the assumed Ridley Island facility site as replacement of the existing NPS 4 pipeline currently servicing Ridley Island given that the NPS 4 pipeline is hydraulically limited to ~ 4-5 MMcf/day...This aspect is not included in the cost estimate at this time, and will be developed as part of the preliminary engineering work.

PNG notes that the negotiated unit contract demand does not include the toll for the Interconnecting Pipeline. PNG would file a separate application to the BCUC with regard to the construction of the Interconnecting Pipeline and the proposed new tariff for service on the pipeline.

In response to BCUC IR 1.9, PNG states that "a 13 kilometre Interconnecting Pipeline would also be required in the area between Prince Rupert and Ridley Island."

- 5.1 Please clarify what PNG means by the "full" 20 MMcf/day. Specifically, please clarify if the additional work described in the above preamble (i.e. the Interconnecting Pipeline) is required to provide the initial 20 MMcf/day to Triton LNG Limited Partnership (Triton).

Response:

PNG requires the Interconnecting Pipeline to provide the "full" 20 MMcf/day to Triton LNG Limited Partnership (Triton). The \$5.9 million investment does not include the costs for the interconnecting pipeline, only system recommissioning costs, and does not provide the ability to provide the 20 MMcf/day to the final delivery point for the Triton project.

- 5.1.1 If the capital work described in the above preamble is required to provide the initial 20 MMcf/day, please explain why these costs were not included in the cost estimate of \$5.9 million. Please also provide an estimate (or range of estimates) for the cost of this capital work.

Response:

Please also see the response to BCUC IR 1.1.2. The costs associated with the \$5.9 million were better understood due to PNG's work in 2017 for system recommissioning to the Prince Rupert region, which was the Galloway station site (also see the response to BCOAPO IR 1.2). The interconnecting pipeline aspect was not included in the cost estimate as it was being completed as part of the preliminary engineering work attributable to the Triton project. The scope of the preliminary engineering work for Triton contemplates delivery to the specific site area on Ridley Island. Also, PNG has had to give consideration to its integrated system and to other customers on its system, and how to optimally deliver service to this site. Thus, PNG has not provided an estimate (or range of estimates) for the cost of this capital work at this time as this is still being determined. PNG notes that there will be a separate toll for the interconnecting pipeline and PNG plans to file both a CPCN and a Tariff Application that will address this. See also response to BCUC IR 5.4 below.

PNG states the following in response to BCUC IR 1.2.2:

The proposed unit demand charge is sufficient to recover the costs to be incurred to supply the Initial Capacity, including the "minimum additional capital investment" as well as incremental margin that would reduce existing customer rates. Please also see the response to BCUC Confidential IR No. 1.1.1.

- 5.2 Please confirm, or explain otherwise, that the analysis provided in BCUC Confidential IR No. 1.1.1 does not include the costs of the Interconnecting Pipeline.

Response:

Confirmed.

- 5.3 Please explain, and quantify where possible, if the proposed unit demand charge is sufficient to recover the additional costs of the Interconnecting Pipeline and would still result in a reduction to existing customer rates.

Response:

The proposed unit demand charge is not sufficient to recover the additional costs of the Interconnecting Pipeline, but it is sufficient to recover the additional costs required to supply the initial capacity and result in a reduction to existing customer rates.

As noted in its response to BCUC IR 1.1.2, PNG stated that the negotiated unit demand charge for the initial 20 MMcf/d “does not include the toll for the Interconnecting Pipeline. PNG would file a separate application to the Commission BCUC with regard to the construction of the Interconnecting Pipeline and the proposed new tariff for service on this pipeline.”

Further, the combined toll of the proposed unit demand charge along with a toll for the Interconnecting Pipeline would result in a reduction to existing customer rates.

- 5.4 Please explain why PNG intends to file a separate application to the BCUC with regard to the construction of the Interconnecting Pipeline and the proposed new tariff.

Response:

While working on the project requirements and the agreements with Triton, it became clear to PNG that a new pipeline would be required to deliver gas to Triton’s delivery point. This would require additional design and engineering work which was originally not anticipated. As such, PNG and Triton agreed that in addition to the negotiated unit demand charge for the initial capacity, Triton would also pay a separate toll for the construction of the Interconnecting Pipeline for Triton’s sole use.

The proposed new tariff on the Interconnecting Pipeline will be designed such that all capital and operating costs are fully recovered from the one customer utilizing it, thereby eliminating the risk of asset stranding and ensuring that there are negligible rate impacts on PNG’s other customers.

Due to timing required to conduct the design and engineering work, the parties agreed that PNG would file a separate application to the Commission with regard to the Interconnecting Pipeline and proposed new tariff once this information was available.

PNG also notes that its proposal to file a separate application for the construction of the Interconnecting Pipeline and proposed new tariff is similar in concept (but not as complex) to PNG’s Application for a CPCN to Construct and Operate an Interconnecting Pipeline between Kitimat and Douglas Channel filed with the Commission on July 16, 2015 and approved on October 9, 2015 under Order C-10-15A.

- 5.4.1 As part of this response, please explain why the cost of the Interconnecting Pipeline has not been incorporated into the unit demand charge analysis for providing service to Triton.

Response:

Please see the response to Question 5.4.

- 5.5 Please explain how PNG would incorporate the toll for the Interconnecting Pipeline into the unit demand charge applied to Triton. If PNG does not intend to incorporate the toll for the Interconnecting Pipeline as part of the charge to Triton, please explain why not and why this would be appropriate.

Response:

PNG anticipates that Triton would pay a charge that is composed of both the proposed unit demand charge plus the Interconnecting Tariff that is still being determined.

- 5.6 Please confirm, or explain otherwise, that without construction of the Interconnecting Pipeline, PNG would not be able to provide the initial 20 MMcf/day service to Triton.

Response:

Confirmed. Without the interconnecting pipeline, PNG would not be able to provide 20 MMcf/day service to Triton.