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August 8, 2018

Sent via eFile

**PNG & TRITON LNG LETTER AGREEMENT**  
**EXHIBIT A-10**

Mr. Keith Bergner  
Lawson Lundell LLP  
Suite 1600 Cathedral Place  
925 West Georgia Street  
Vancouver, BC V6C 3L2  
kbergner@lawsonlundell.com

**Re: Pacific Northern Gas Ltd. – Pacific Northern Gas Ltd. and Triton LNG Limited Partnership Letter Agreement Application – Project No.1598957 - BCUC Information Request No. 1 on WLNG Evidence**

Dear Mr. Bergner:

Further to Western LNG LLC's filing of evidence dated July 31, 2018, regarding the above-noted application, please find enclosed British Columbia Utilities Commission Information Request No. 1.

Sincerely,

*Original signed by*

Patrick Wruck  
Commission Secretary

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Enclosure

cc: Mr. Davis Thames  
Western LNG LLC  
dthames@westernlng.com



Pacific Northern Gas Ltd. (PNG)  
Pacific Northern Gas Ltd. and Triton LNG Limited Partnership Letter Agreement Application

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**INFORMATION REQUEST NO. 1 TO WESTERN LNG LLC**

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**A. DAVIS THAMES DIRECT EVIDENCE**

**1.0 Reference: Western LNG LLC (WLNG) Proposal  
Exhibit C1-5, Direct Evidence of Davis Thames on behalf of WLNG, pp. 5–7, 11–13;  
Exhibit B-1, Appendix A**

On page 5 of Davis Thames' direct evidence, he states: "On January 8, 2018 Western delivered a proposal to PNG for contracting the entire 70 MMcf/d based largely upon the terms and conditions contained in the EDFT TSA."

On page 7 of Davis Thames' direct evidence, he states the following:

...Western provided the term sheet proposal to PNG on January 8, 2018. The terms were based substantially on the terms of the previously-approved EDFT TSA, but Western deliberately proposed favourable terms to itself in several areas since this was the first submission of what was expected to be a back and forth negotiation. Western never received a response to the term sheet, save for the response received in April, and this response bore little to no resemblance to the terms proposed by Western in January.

- 1.1 With specific reference to both the EDF Trading Limited (EDFT) Transportation Service Agreement (TSA) and WLNG's proposed term sheet, please identify the terms proposed by WLNG which were not consistent with the EDFT TSA and explain the reason for the differences.
  - 1.1.1 If one of the differences in terms proposed by WLNG was the unit demand charge, please explain the reason for this difference and how WLNG arrived at its proposed unit demand charge, including the supporting calculations and assumptions.
- 1.2 Please further explain the statement that PNG's response "bore little to no resemblance to the terms proposed by Western." Please compare and contrast PNG's response to WLNG's proposed terms.

On pages 5–6 of Davis Thames' direct evidence, he states the following:

It was not until mid-April that PNG notified Western that it had completed the proposal, which would involve Western obtaining an option to contract for 30 MMcf/d of existing capacity, and the right, subject to engineering studies and Western's acceptance, to contract for an additional 40 MMcf/d of capacity created by constructing an expansion of the pipeline, to deliver the full 70 MMcf/d to a potential Douglas Channel project site.

- 1.3 Please confirm, or explain otherwise, that the statement from page 7 that PNG's response "bore little to no resemblance to the terms proposed by Western" and the statement on page 5 in the

above preamble regarding the proposal provided by PNG in mid-April, are referring to the same “proposal” by PNG.

- 1.4 Please compare and contrast PNG’s proposal provided to WLNG in mid-April to the proposed Letter Agreement with Triton, which was provided by PNG as Appendix A to the Application (Exhibit B-1). Please describe in detail both the similarities and differences.
- 1.5 Please clarify if WLNG rejected the mid-April proposal from PNG.
  - 1.5.1 If yes, please explain why the proposal provided by PNG in mid-April was not considered acceptable by WLNG.

On page 11 of Davis Thames’ direct evidence, he states: “Western’s proposal would benefit the existing shippers to a greater extent than Triton’s proposal.”

On page 12, he further states: “The difference in proposed contracted volume makes a significant difference in terms of potential benefit to existing shippers, since the act of setting rates at PNG is essentially a zero sum game.”

- 1.6 Please clarify who the “existing shippers” are that Davis Thames is referring to in his testimony. If Davis Thames is using the terms “shippers” and “ratepayers” interchangeably, please clarify that Davis Thames is aware that not all of PNG’s ratepayers are shippers and explain if this impacts his statements on pages 11 and 12.

On page 13 of Davis Thames’ direct evidence, he states the following:

In Western’s view, it would be a reasonable outcome, assuming that no other party desired capacity on PNG at this time, to propose an arrangement whereby (i) Triton and Western proportionally contract for the existing capacity on the system; (ii) Triton and Western proportionally contract for the expansion on the mainline between Summit Lake and Terrace; (iii) Triton contracts for expansion capacity from Terrace to Prince Rupert; and (iv) Western contracts for the expansion lateral from Kitimat to its proposed project site. In the event that either Triton or Western decide not to proceed with their project, then part (ii) would no longer be necessary and the daily quantity in (i) could be adjusted accordingly.

- 1.7 Please provide a detailed explanation, with reference to Davis Thames’ testimony on page 5 regarding PNG’s proposal provided to WLNG in mid-April, as to the aspects with which the mid-April PNG proposal differs from the outcomes described by Davis Thames on page 13 of his testimony.
- 1.8 Please confirm, or explain otherwise, that under the scenario described in the above preamble (i.e. page 13 of the Davis Thames’ direct testimony), in the event that either Triton or WLNG decide not to proceed with their project, assuming no other parties contracted for capacity, there would be increased unused capacity on PNG’s system as a result of outcome (ii), due to the fact that Triton and WLNG would have proportionally contracted for the expansion of the mainline between Summit Lake and Terrace.

**B. JEFFREY CHURCH DIRECT EVIDENCE**

**2.0 Reference: Jeffrey Church Testimony  
Exhibit C1-5, Direct Evidence of Jeffrey Church; Exhibit B-9, WLNG IR 9.9**

In response to WLNG IR 9.9, PNG stated the following:

PNG agrees that for each of the NEB regulated Group 1 gas transmission pipelines listed in the preceding questions, the pipeline’s tariff provides that it conduct an open season...

...PNG is significantly different from the large NEB regulated Group 1 pipelines (consisting of those pipeline companies with extensive systems and several third-party shippers) that Western LNG has cited:

- PNG is primarily a distribution utility, serving over 42,000 end-use customers with natural gas. The pipelines noted by Western LNG do not have a utility function. On the PNG system the rates payable by certain shippers affect the delivered cost of natural gas to PNG’s utility customers.

On page 4 of Jeffrey Church’s direct evidence, he describes his experience in considering the policies of natural gas pipelines in Canada.

- 2.1 Please explain whether Jeffrey Church’s experience and policy analysis has included companies/pipelines similar to PNG, specifically regarding the fact that PNG is primarily a distribution utility.
- 2.2 Please explain how PNG’s specific characteristics of being primarily a distribution utility distinguish it from the National Energy Board (NEB)-regulated Group 1 pipelines and how, if at all, these differences may impact the analysis provided in Jeffrey Church’s direct evidence.

In response to questions 11 and 12 on pages 7 and 8 of Jeffrey Church’s direct evidence, he explains how existing capacity and expansion capacity is allocated on other contract carrier pipelines in Canada.

- 2.3 Please explain if any of the other contract carrier pipelines in Canada considered in the responses to questions 11 and 12 operate as distribution utilities.
  - 2.3.1 If yes, please provide examples of these contract carrier pipelines and compare/contrast them to PNG.
  - 2.3.2 If no, please explain to what extent, if any, this impacts the applicability of Jeffrey Church’s responses to questions 11 and 12 to PNG.

In response to WLNG IR 9.9, PNG stated: “Having an opportunity to reserve uncontracted capacity for a period of time until the project proponent can complete the development phase of its project is viewed to be the best approach to securing additional shippers on the PNG pipeline system...” PNG then provides various reasons to support its approach.

- 2.4 Please discuss how an open season process (or other process) would address the objectives/concerns outlined by PNG in support of its current approach, including the following:
  - Ability to verify creditworthiness and coordinate project development with PNG’s preparation of its system to provide transportation service;
  - Obtaining a commitment to backstop engineering studies;

- Ability by PNG to own and conduct engineering studies to retain control of the intellectual property;
- Providing a guaranteed benefit to PNG's existing utility customers during the development phase of a project; and
- Providing assurance that an agreement is terminated prior to PNG incurring any additional capital investment.

2.5 Please discuss both the benefits and risks to PNG's existing utility customers of implementing an open season process. Please also compare the benefits and risks of an open season process to PNG's existing process from the perspective of PNG's existing utility customers.