



**bcuc**  
British Columbia  
Utilities Commission

**Patrick Wruck**  
Commission Secretary

Commission.Secretary@bcuc.com  
**bcuc.com**

Suite 410, 900 Howe Street  
Vancouver, BC Canada V6Z 2N3  
**P:** 604.660.4700  
**TF:** 1.800.663.1385  
**F:** 604.660.1102

August 24, 2018

Sent via eFile

<b>PNG &amp; TRITON LNG LETTER AGREEMENT</b> <b>EXHIBIT A-11</b>
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Ms. Janet P. Kennedy  
Vice-President, Regulatory Affairs & Gas Supply  
Pacific Northern Gas Ltd.  
2550 – 1066 West Hastings Street  
Vancouver, BC V6E 3X2  
jkennedy@png.ca

**Re: Pacific Northern Gas Ltd. – Pacific Northern Gas Ltd. and Triton LNG Limited Partnership Letter Agreement Application – Project No. 1598957 – Panel Information Request No. 1**

Dear Ms. Kennedy:

Further to your April 9, 2018 filing of the above-noted application, please find enclosed Panel Information Request No. 1. Please file your responses electronically by Wednesday, August 29, 2018.

Sincerely,

*Original signed by*

Patrick Wruck  
Commission Secretary

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Enclosure

cc: Mr. Verlon G. Otto, CA  
Director, Regulatory Affairs  
Pacific Northern Gas Ltd.  
votto@png.ca



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

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**PANEL INFORMATION REQUEST NO. 1 TO PNG**

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- 1.0 Reference: APPROACH TO CONTRACTING CAPACITY**  
**Exhibit B-9, Western LNG LLC IR 8.2, 9.9, 9.12; Exhibit C1-5, Davis Thames Direct Evidence, pp. 5, 6, 13; Jeffrey Church Direct Evidence, pp. 16–19**

In response to Western LNG LLC's (WLNG) Information Request (IR) 8.2, Pacific Northern Gas Ltd. (PNG) stated the following:

While PNG considers WLNG to be "ahead" of other parties on existing capacity, PNG notes that since the filing of this Application, PNG has had numerous discussions with other third parties who have expressed interest in PNG's existing and expansion capacity. Given the increased interest in the expansion capacity on the mainline and PNG's current view of the complexity of the mainline expansion, PNG may need to consider other customer requests for future project expansion, not just the request of Western alone...

...For clarity, the Triton project is largely using existing mainline infrastructure with some system upgrades to the existing system, rather than large looping on the mainline, which is an important distinction from a project development perspective (i.e. system upgrades versus an expansion project).

- 1.1 In the absence of the Triton LNG Limited Partnership (Triton) proposed project which is the subject of the letter agreement with PNG (Triton Project), please explain if WLNG's proposed project would still require "large looping on the mainline" or would largely require only the existing mainline infrastructure.

On pages 5–6 of Davis Thames' direct evidence, he stated 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.

On page 13 of Davis Thames' direct evidence, he stated 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.

- 1.2 Please discuss the reasonableness and feasibility of the arrangement described by Davis Thames in the above preamble.
- 1.3 Please compare and contrast PNG's mid-April proposal to WLNG to the arrangement described by Davis Thames in the above preamble. Please use diagrams where possible to compare PNG's proposal to the arrangement described by Davis Thames in the above preamble.
- 1.4 Please provide a detailed description of PNG's decision-making process and criteria when determining what project receives first priority.
  - 1.4.1 In consideration of the above response, please explain why the Triton Project was given priority over the WLNG project.
- 1.5 If the Triton Project and the WLNG project had been brought forward at the same time, which project would likely have been given first priority and why?

In response to WLNG IR 9.9, PNG stated the following: "PNG's existing uncontracted capacity has been available for almost thirteen years and its existence is well known in the Western Canadian gas market. It is not reasonable to suggest that having open season provisions in PNG's tariff would have changed that outcome."

- 1.6 Please discuss whether PNG considers its current process for assessing parties' proposals for use of PNG's existing and expansion capacity to be transparent and well understood from the perspective of third parties.
  - 1.6.1 As part of the above response, please discuss how PNG could improve the transparency and understandability of its processes.

In response to WLNG IR 9.12, PNG stated the following:

For the reasons outlined in response to Question 9.9, PNG believes that its current process is the best means for PNG to optimize pipeline utilization for its existing customers. However, if PNG became aware of potential creditworthy shippers that were prepared to provide binding commitments for firm transportation service at non-discounted rates, an open season process would be considered.

On pages 16 through 19 of Jeffrey Church's direct testimony, he outlined processes which could be employed by PNG.

- 1.7 In consideration of Jeffrey Church's direct testimony and PNG's statement that it would consider an open season process, please discuss how PNG's processes could be revised on a go-forward basis.
  - 1.7.1 If PNG were to propose revisions to its processes on a go-forward basis, what would PNG consider to be the appropriate forum, if any, for the BCUC to review the proposal (e.g. revenue requirement application, standalone application, other) and why.