



April 6, 2020

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<b>PNGNE 2020-2021 REVENUE REQUIREMENTS EXHIBIT A-4</b>
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Mr. Verlon Otto  
Director, Regulatory Affairs  
Pacific Northern Gas (NE) Ltd.  
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Vancouver, BC V6C 3K4  
regulatory@png.ca

**Re: Pacific Northern Gas (NE) Ltd. – Fort St. John/Dawson Creek and Tumbler Ridge Divisions –  
2020-2021 Revenue Requirements Application – Project Number 1599058 – Information Request No. 1**

Dear Mr. Otto:

Further to your 2020–2021 Revenue Requirements Application dated November 29, 2019, enclosed please find British Columbia Utilities Commission Information Request No. 1 for the Tumbler Ridge Division. In accordance with Order G-331-19 establishing the regulatory timetable for this proceeding, please file your responses on or before Wednesday, April 29, 2020.

Sincerely,

*Original signed by:*

Patrick Wruck  
Commission Secretary

/dg  
Enclosure



Pacific Northern Gas (N.E.) Ltd. – Tumbler Ridge Division  
2020-2021 Revenue Requirements Application

**INFORMATION REQUEST NO. 1 TO PACIFIC NORTHERN GAS (N.E.) LTD.**

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**A. DEMAND FORECAST, REVENUE AND MARGIN**

- 1.0 **Reference: DEMAND FORECAST, REVENUE AND MARGIN  
Exhibit B-2 (Amended Application) Tumbler Ridge Division (TR), Section 2.1, pp. 23, 25,  
Table 9  
Industrial Transport Deliveries and Margin**

On page 25 of the TR Amended Application, Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) states:

PNG(NE) has one industrial customer, CNRL, that receives transportation service. Forecast Test Year 2020 and Test Year 2021 deliveries are approximately 586,000 GJ annually which is higher than the Decision 2019 deliveries of 450,000 GJ. Discussions with CNRL have confirmed that one of their production areas remains shutdown but that there will be an increase in demand for fuel gas supply at another area which is operating near full capacity, contributing to the forecast increase in deliveries for the test period under review.

On page 23 of the TR Amended Application, PNG(NE) provides Table 9, which includes forecast and actual deliveries to Canadian Natural Resources Limited (CNRL).

- 1.1 Please confirm whether CNRL was running both of the production facilities mentioned in the preamble above in 2019.

- 1.1.1 If yes, please provide a detailed breakdown, if available, of the volume of deliveries to each of the facilities mentioned in the preamble above.

## B. OPERATING EXPENSES

- 2.0 **Reference: OPERATING EXPENSES**  
**Exhibit B-2 TR, Section 2.3.2, pp. 30, 62**  
**Account 665 – Pipelines**

On page 30 of the TR Amended Application, PNG(NE) states:

Forecast expenses in this account are expected to increase by \$78,000 or 309.2% from Decision 2019 to Test Year 2020. This increase primarily reflects a heightened focus on integrity of the transmission system downstream of the TR Division gas plant.

Investigative digs are planned based on the latest close interval survey. The Test Year 2020 increase in expense is a direct result of plans to conduct over-the-line assessments (direct current voltage gradient (DCVG) and close interval surveys) on the 44 km of pipelines making up the Tumbler Ridge pipeline system. The most recent related assessments were completed in 2012. Test Year 2020 expenses also include items such as survey contractor, land owner notification, works in proximity / crossing of third-party pipelines, special brushing requirements, and remote site access considerations.

Test Year 2021 expenses are sustained for the completion of external coating direct assessment (ECDA) and other similar integrity investigations following the 2020 assessments.

- 2.1 Please provide a breakdown of the 2019 (forecast and actual), and Test Year 2020 and 2021 costs by activity, as identified in the preamble, and any other relevant cost categories. Please also provide an explanation for any significant variances, if not already provided in the TR Amended Application.
- 2.2 Please describe the forecasted scope and cost breakdown of ECDA activities in 2021.
- 2.3 Please elaborate on the benefits realized/expected to be realized as a result of the activities completed to date and the timing of these benefits.
- 2.4 Please discuss the specific activities and costs for the ILI tool runs and investigative digs that are capitalized and expensed and the rationale for the accounting treatment.

On page 30 of the TR Amended Application, PNG(NE) states:

In addition, PNG(NE) will further reinforce its integrity management plan by working toward upgrading the TR Division transmission line to be compatible with new in-line inspection tooling that is available to the industry.

On page 62 of the TR Amended Application, PNG(NE) states:

Test Year 2020 expenditures will focus on phase one feasibility and front end engineering and design activities.

Phase two of this project is planned for Test Year 2021 and will include detailed engineering, permitting and execution planning to arrive at a class 3 cost estimate. Phase three is anticipated to proceed in 2022 and includes construction and commissioning activities.

2.5 Please describe any additional activities included in the forecast 2020 and 2021 costs that will be undertaken to further reinforce the integrity management plan.

3.0 **Reference: OPERATING EXPENSES**  
**Exhibit B-2 TR, Section 2.3.2, p. 33; Section 3.2.2.1, p. 85**  
**Other – Including Account 673**

On page 33 of the Amended Application PNG (NE) submits:

Test Year 2020 expenditures of \$157,000 are forecast to increase by approximately \$16,000 or 11.6% over Decision 2019 expenditures of \$141,000, primarily due to provision for an allocation of severance costs anticipated on elimination of five meter reader positions.

In relation to Account 673/675/712/718 – Other, on page 85 of the TR Amended Application, PNG(NE) states:

The actual costs for 2019 included in this account are \$74,000 or 52.7% lower than those approved under Decision 2019. This is primarily due to lower labour costs incurred during the year as a result of a decline in customer activity due to the downturn in the economy, particularly impacting housing developments in the Tumbler Ridge area.

- 3.1 Please provide a breakdown of the increase in expenditures for “Other – Including Account 673” between 2019 actual and 2020 forecast and between 2020 and 2021 forecast using the following categories: severance, company use gas and any other factors.
- 3.2 Please explain whether the “decline in customer activity due to the downturn in the economy” was considered in forecasting costs over the Test Period for Account 673/675/712/718. If so, please describe how this information impacted the forecast. If not, please explain why not.

#### C. MAINTENANCE EXPENSES

4.0 **Reference: MAINTENANCE EXPENSES**  
**Exhibit B-2 TR, Section 2.4.1, p. 34; PNG(NE) 2018-2019 RRA proceeding, Exhibit B-1-1 TR; Section 3.2.2.2; p. 82**  
**Account 821 – Process Plant**

On page 34 of the TR Amended Application, PNG(NE) states:

Process plant maintenance expense for both Test Year 2020 and Test Year 2021 are forecast to be approximately \$43,000 greater than Decision 2019, primarily due to an increase in the provision for plant maintenance and plant turnaround activities.

- 4.1 Please provide a breakdown of the plant maintenance and plant turnaround activities anticipated in Test Year 2020 and 2021 that accounts for the approximate \$43,000 increase from Decision 2019.

On page 82 of the TR 2018-2019 RRA Amended Application, PNG(NE) stated:

The actual costs for 2017 included in this account are \$12,000 or 18.8% lower than those approved under Decision 2017. This variance is primarily due to the plant turnaround not being done in 2017 as CNRL did not take the downtime necessary to allow completion of a full turnaround. The turnaround is scheduled for 2018.

- 4.2 Please discuss if the plant turnaround scheduled for 2018 took place. If not, please explain why not. If so, please explain how the plant turn around activities scheduled for 2018 differ from that scheduled in the Test Period.
- 4.2.1 Please explain whether costs related to the 2018 turnaround were expensed and recovered in rates.

#### **D. DEFERRAL ACCOUNTS**

- 5.0 **Reference: DEFERRAL ACCOUNTS**  
**Exhibit B-2, TR, Tab 2, p. 13**  
**Plant Gains and Losses**

On page 13 of Tab 2 of the TR Amended Application PNG(NE) provides the continuity of deferred charges for the Test Year 2019 for the TR Division. Line 2 provides the “Plant Gains and Losses – ordinary” on line 2.

- 5.1 Please indicate the assets that were disposed of or retired in 2019. For each asset, provide the estimated useful life, actual life, net book value at the time of disposal/retirement and indicate the proceeds from sale as applicable.

- 6.0 **Reference: DEFERRAL ACCOUNTS**  
**Exhibit B-2 TR, Tab 2, pp. 14-15**  
**Management Fee Adjustment**

On pages 14 and 15, Tab 2, PNG(NE) presents the continuity of deferred charges for the Test Years 2020 and 2021. Line 31 of the 2020 continuity and Line 30 of the 2021 continuity is the Management Fee Adjustment.

- 6.1 Please clarify the nature of this deferral account and explain the additions for 2020 and 2021.
- 6.2 Please discuss why the TR Division has this type of deferral account and the FSJ/DC Division does not.

#### **E. RATE BASE**

- 7.0 **Reference: RATE BASE**  
**Exhibit B-2 TR, Section 2.13.1.1.1, p. 61**  
**Processing Plant Improvements**

On page 61 of the TR Amended Application, PNG(NE) states:

Test Year 2020 processing plant improvements include the following notable items: the purchase and install of a dehydration burner (\$174,000); the purchase and install of a line heater (\$121,000); the purchase and install of a flare stack ignition system (\$74,000); the upgrade and installation of the ignition on the amine boiler (\$61,000), and replacement of an inlet control valve (\$38,000).

- 7.1 Please confirm the age of the notable processing plant improvements listed and their estimated useful life. Please elaborate whether the improvements are ‘like for like’ replacements, increased capacity replacements, new units or other.
- 7.2 Please clarify whether the forecasted processing plant improvement expenditures include all associated costs (e.g. regulatory, engineering design, commissioning, etc.).

7.3 Please discuss any risks associated with delays to the timing of execution of these processing plant improvements.

8.0 **Reference: RATE BASE**  
**Exhibit B-2 TR, Section 2.13.1.1.1, p. 62**  
**TR Division Transmission Mainline Modifications**

On page 62 of the TR Amended Application, PNG(NE) states:

During repairs completed in 2017 through 2019, it was found that there were portions of the TR Division high pressure pipeline system downstream of the TR Division gas plant that were at high risk of internal corrosion due to liquids carryover from the upstream process plant...

This project is to modify the transmission system from the TR Division process plant to the TR Division gate station to facilitate the use of inline inspection tooling and inline cleaning tooling...Test Year 2020 expenditures will focus on phase one feasibility and front end engineering and design activities.

Phase two of this project is planned for Test Year 2021 and will include detailed engineering, permitting and execution planning to arrive at a class 3 cost estimate. Phase three is anticipated to proceed in 2022 and includes construction and commissioning activities.

8.1 Please provide any pre-feasibility studies or reports that have been completed regarding this project.

8.1.1 Please describe any mitigation measures that have been implemented or may be implemented to reduce liquids carryover from the process plant.

8.2 Please describe the repairs completed in 2017 through 2019, including identification of the portion of the overall transmission mainline that was inspected.

8.3 Please provide the total transmission distance from TR Division process plant to the TR Division gate station.

8.4 Please elaborate whether PNG(NE) has considered any alternatives to the proposed project. If yes, please identify the alternatives and ultimately why they were not selected. If not, please discuss whether phase one of the project will include an assessment of alternatives.

8.5 Please provide an overall cost estimate for this multi-year project by year, including any construction and commissioning activities anticipated to continue beyond 2022.

8.6 Please discuss the risks associated with any delays in the execution of the transmission mainline modifications project overall, or a specific phase of the project.

8.7 Please discuss whether PNG(NE) anticipates filing a Certificate of Public Convenience and Necessity (CPCN) application for the project.

9.0 **Reference: RATE BASE**  
**Exhibit B-2 TR, Section 2.13.1.1.2, pp. 63-64**  
**TR Division Gate Station Replacement**

On pages 63 and 64 of the TR Amended Application, PNG(NE) states:

The gate station is beyond the end of a reasonable service life and structures are not fire

rated, and the station is not conducive to ease of operation. This project will see the aspects of existing station piping, pressure control and over pressure protection, and structures replaced.

Phase one will be carried out in Test Year 2021 and activities will include engineering and design and planning...Phase two is anticipated to be carried out in 2022, and includes construction and commissioning.

- 9.1 Please provide an overall cost estimate for this multi-year project by year.
- 9.2 Please elaborate whether there are any lessons learned from the Dawson Creek #1 Gate Station replacement which may be applied to this project.

#### **F. PROPOSED RATE CHANGES**

- 10.0 **Reference:** **PROPOSED RATE CHANGES**  
**Exhibit B-2 TR, Tab 6, pp. 6, 13**  
**Bill Comparison – Current and Proposed**

On Tab 6, pages 2 and 13 of the TR Amended Application PNG(NE) presents a comparison of the projected annual gas bills for residential and small commercial customers

- 10.1 Please provide a comparison of the projected annual gas bills for any TR customer class that exceeds 10 percent.
- 10.2 Please explain whether the proposed bill impacts for the TR customers, specifically from January 1, 2020 to 2021, constitute rate shock in PNG(NE)'s view. If not, please discuss why not. If yes, please discuss any measures undertaken by PNG to mitigate this and lower costs apart from the proposed rate deferral mechanism.
- 10.3 Please provide an estimate of the bill impact for TR's existing customers under the scenario that forecast gas supply costs are ten percent for each year in the Test Period.

#### **G. CAPITAL EXPENDITURE REPORTING – ACTUAL VS DECISION**

- 11.0 **Reference:** **CAPITAL EXPENDITURE REPORTING – ACTUAL VS DECISION**  
**Exhibit B-2 TR, Section 3.1.1, p. 76**  
**TR Division Transmission Repair**

On page 76 of the TR Amended Application, PNG(NE) states:

Even in consideration of the extent of comprehensive engineering, procurement, and construction execution planning, a number of significant challenges were experienced during the completion of the HDD crossing that resulted in the associated project cost variance...

Of important note, the strength of PNG(NE) contract language and the completeness of site works related project records by PNG(NE) resulted in the avoidance of \$218,000 of additional cost by way of successful dispute of contractor extra claims and the cancelling (credit) of associated invoices.

- 11.1 Please provide a breakdown of the actual costs incurred on this project in 2018. Please identify in the breakdown which items contributed to the cost variance.

11.2 Please discuss the lessons learned (e.g. project execution, technical, other) during this HDD crossing project and how they may be applied to relevant future PNG(NE) projects.

12.0 **Reference: CAPITAL EXPENDITURE REPORTING – ACTUAL VS DECISION  
Exhibit B-2 TR, Section 3.1.2, p. 77  
Transmission Pipe Repair**

On page 77 of the TR Amended Application, PNG(NE) states:

As a result the tie-ins were deferred to 2019 and at a time of year when weather and other parameters posed less risk. In the time that lapsed as a result of the deferral, the ownership of a parallel pipeline changed. This resulted in new proximity agreement conditions, including more stringent increases in work required and cost incurred to meet the requirements of the new ownership.

12.1 Please clarify whether the tie-in activities are part of the Transmission Repair project described in section 3.1.1. Please discuss whether these costs deferred to 2019 should be included in Table 35 of the TR Amended Application.

12.2 Please clarify what portion of the total variance for this project was as a result of costs incurred to meet the requirement of the new ownership of the parallel pipeline.

#### **H. COST OF SERVICE REPORTING – ACTUAL VS DECISION**

13.0 **Reference: COST OF SERVICE REPORTING – ACTUAL VS DECISION  
Exhibit B-2 TR, Section 3.2.1.1, p. 80  
Account 688 – Other General Operations**

In relation to Account 688 – Other General Operations, on page 80 of the TR Amended Application, PNG(NE) states:

The actual costs for 2018 included in this account are \$39,000 or 42.4% lower than those approved under Decision 2018. This is primarily due to fact that the planned full-scale annual emergency exercise was not executed in Tumbler Ridge. Due to a very successful execution of the ERP exercise in Dawson Creek, the Tumbler Ridge exercise was deferred.

13.1 Please discuss when the emergency exercise in Tumbler Ridge either took place or is expected to take place and clarify whether this exercise will continue to be an “annual” exercise going forward.

14.0 **Reference: COST OF SERVICE REPORTING – ACTUAL VS DECISION  
Exhibit B-2 TR, Section 3.2.2.2, p.86  
Account 821 – Process Plant**

In relation to Account 821 – Process Plant, on page 86 of the TR Amended Application, PNG(NE) states:

The actual costs for 2019 included in this account are \$52,000 or 81.6% greater than those approved under Decision 2019. This is primarily due to plant issues, specifically matters pertaining to the programmable logic controller and shutdown logic, as well as a troublesome pump on the amine system.



14.1 Please confirm if the plant issues experienced in 2019 have been resolved. Please comment on whether the Test Period includes costs to address these issues.

**I. IDENTIFIED SERVICE QUALITY METRICS**

15.0 **Reference: IDENTIFIED SERVICE QUALITY METRICS**  
**Exhibit B-2 TR, Section 3.3, p. 89**  
**Identified Service Quality Metrics**

PNG(NE) provided the following summary of key Service Quality Metrics specific to the TR Division on page 89 of the TR Amended Application:

Service Quality Metric	2019	2018	2017	2016	2015
Number of Emergency Calls	3	1	–	2	2
Average Response Time per Call	24 minutes	15 minutes	n/a	50 minutes	58 minutes
Number of Calls with a Response Time over 40 Minutes	–	–	n/a	1	2

15.1 Please explain the primary driver for the increased average response time per call in 2019 over 2018.