

REQUESTOR NAME: BCOAPO *et al.*
INFORMATION REQUEST ROUND NO: #1
TO: Pacific Northern Gas Ltd. (N.E.) - 2020-2021
Revenue Requirements Application
DATE: April 15, 2020
APPLICATION NAME: 2020-21 Revenue Requirements Application

1.0 Reference: General – Impact of Covid-19 Pandemic on FSJ/DC and TR

- 1.1 Statistics Canada has just announced (April 15) that in March, Canada's GDP declined by 9% - the sharpest drop since 1961. Furthermore, Canadians are being advised by government and health authorities to expect that current lockdown/physical distancing restrictions will remain in effect for months. Given the exceptional nature of the current environment, can PNG confirm that its Amended Application contains reasonable and reliable forecasts for the 2020-21 test period? If yes, please explain fully how the severe new circumstances are reflected in the application; if no, please explain fully why an application that does not capture or reflect the historic impacts of the pandemic is appropriate or relevant for the 2020-21 RRA.
- 1.2 Assuming that the pandemic's impacts – which include layoffs and reduced incomes for households, decreased business activity and business revenues, decreased industrial activity, stay-at-home strictures, etc., – remain applicable for at least three months (into July 2020) and that full economic recovery is delayed into 2021, please provide PNG's views or estimates of the impacts on 2020 throughputs by class (residential, commercial, institutional, industrial, transportation, NGV, etc.), utility revenues, operating costs, bad debt, utility working capital, and rates as compared to the forecasts in the Amended Application.
- 1.3 In the event that the Covid-19 pandemic continues for at least the next three months and that full economic recovery is delayed into 2021, does PNG believe there will be any material impact in 2020 on (i) utility costs, (ii) forecasted capital expenditures, (iii) utility maintenance activities, (iv) engagements with third-parties such as consultants and contractors, and (v) in-house labour costs, including administrative costs? Please discuss fully.
- 1.4 To the extent that the Covid-19 pandemic may materially change throughputs for different customer classes, does PNG agree that proposed rates for each customer class should reflect these impacts? If not, please explain.
- 1.5 In PNG's view, do the prevailing historic circumstances warrant any significant revisions to the instant application in terms of the two-year term of the plan, forecast throughputs, forecast costs, or proposed rates?

- 1.6 Does PNG believe that the recent 0.5% cut in the Bank of Canada's overnight rate to 0.25% will materially impact PNG's short-term borrowing costs?
- 1.7 With the huge drop in incomes and aggregate demand for products, the global slowdown, almost historic low oil prices, please provide PNG's views as to the appropriateness, for 2021 over 2020, of the 2% inflation "adder" that PNG has used to inflate forecasts year-to-year; put another way, does PNG expect annual inflation on labour, materials, inputs, etc., to remain at 2% per year for 2020 and 2021? If so, please explain fully; if not, does PNG suggest any revision to the almost omnipresent 2% adder?
- 1.8 Does PNG believe that there should be any revision in its forecasts of debt costs over 2020-2021?
- 1.9 Does PNG believe that its approved RoE for 2018-19 remains appropriate for 2020-2021 in the sense that it provides PNG the opportunity for a reasonable risk-adjusted return as compared to overall Canadian and North American market equity returns?

2.0 Reference: Exhibit B-2, Amended Application, FSJ/DC p. 29 and TR page 28, and Exhibit A-3, BCUC IR 6.0 Preamble and BCUC IR 6.2

The referenced preamble states:

It is anticipated that PNG(NE) will see a general increase in operating costs due to increased activities relating to ensuring compliance with PNG's Integrity Management Plans and related codes, standards and regulations (i.e. CSA Z662-19, Oil & Gas Activities Act, BC OGC/Technical Safety BC).

While PNG has had a robust integrity programs for several years, PNG has aging pipeline infrastructure and is at a point where several pipeline integrity activities cannot be prudently deferred, particularly in the face of more stringent codes, standards and regulations and related industry expectations.

- 2.1 Please explain what is meant integrity issues being "prudently deferred" by "robust integrity programs," i.e., what is the distinction between prudent and imprudent deferral of integrity issues?
- 2.2 With respect to BCUC IR 6.2, please provide a list of all new regulations, standards, codes, and the like which have come into effect since the 2018-19 RRA.

3.0 Reference: Exhibit B-2, Amended Application, FSJ/DC pages 34 and 67, TR Pages 33 and 62, and Exhibit A-3, BCUC IR 8.2, Elimination of Meter Reading

- 3.1 Can PNG NE confirm that the increases sought for AMR going forward are net of the savings by having fewer FTEs (offset by severance)?
 - 3.2 Can PNG NE confirm that utility costs and rates will be lower with AMR than they would be had personnel been retained for meter reading?
 - 3.3 Please provide the savings that ratepayers will enjoy for 2021 and beyond as a result of replacing meter reading FTEs with AMR.
 - 3.4 Can FEI confirm that the severance costs are one-time costs and that the reduction in FTEs for meter reading is fully reflected in the 2021 forecasts?
- 4.0 Reference: Exhibit B-2, Amended Application, FSJ/DC p. 43 and TR page 41, and Exhibit A-3, BCUC IR 15.2, Deferral Account for Shared Corporate Services Costs**
- 4.1 Does PNG NE agree that if the BCUC approved specific amounts for corporate cost recovery from FSJ, DC, and TR, then the requested deferral account would not be required?
- 5.0 Reference: Exhibit B-2, Amended Application p.22 and Exhibit A3, BCUC IR 31,2 Meter Recalls**
- 5.1 Have changes in criteria resulted in an increase in meter recalls by Measurement Canada? If so, please provide details.
 - 5.2 Please provide, for each of the last ten years up to 2019 and for FSJ/DC and TR, the number of meters in service, the number of meters recalled, and the actual and forecast/approved costs associated with the recalls.
 - 5.3 Given a fairly mature utility, is it reasonable to expect that meter recall costs would be somewhat stable on a year-to-year basis?
- 6.0 Reference: Exhibit B-2 TR Amended Application, p.85 and Exhibit A-4, BCUC IR 3.0 Preamble**

The referenced extract states the following:

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.

- 6.1 Does PNG NE expect an increase in customer activity in the TR area in 2020 over 2019? If so, please explain; if not, please indicate how the severe downturn in economic activity globally has been reflected in the TR application.