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Via E-File

**BCUC File 63578
Batch 62354**

May 20, 2020

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

File No.: 4.2.7 (2020)

Attention: Patrick Wruck
Commission Secretary and Manager, Regulatory Services

Dear Mr. Wruck:

**Re: Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd.
Application for Approval of COVID-19 Deferral Account
Response to BCOAPO Information Request No. 1**

Accompanying, please find the response of Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. to the referenced information request.

Please direct any questions regarding this submission to my attention.

Yours truly,

A handwritten signature in black ink, appearing to read 'Verlon Otto', written over a light grey circular stamp.

Verlon G. Otto

Enclosure

REQUESTOR NAME: BCOAPO *et al.*
INFORMATION REQUEST ROUND NO: #1
TO: Pacific Northern Gas Ltd. and
Pacific Northern Gas (N.E.) Ltd.
(“PNG”)
DATE: May 12, 2020
APPLICATION NAME: Application for Approval of COVID-19
Deferral Account

1.0 Reference: Exhibit B-1, Application

BCOAPO notes that this application specifies it is seeking approvals to facilitate the deferral of bills incurred until June 30, 2020.

- 1.1 Please explain on the record how the Utility determined that a three-month bill deferral was an appropriate response to the COVID-19-related economic impacts?

Response:

PNG is of the view that a three-month deferral period was appropriate in that it provides customers in need of assistance immediate relief and time to assess the various financial assistance programs available through federal and provincial governments that could help with their financial circumstance as a result of the COVID-19 pandemic. PNG also notes that the three-month period is in line with what other utilities in British Columbia are offering by way of relief and is also consistent with the offerings of utilities in Alberta as well.

1.2 Please indicate on the record what, if any, other forms of relief the Utility considered in response to this economic crisis?

Response:

PNG considered three options for providing economic relief to its customers impacted by the COVID-19 pandemic. These include:

- 1) The payment deferral programs described in Exhibit B-1;
- 2) Bill credits as described in PNG's response to Question 1.2.1; and
- 3) Discounted rates as described in PNG's response to 1.2.2.

1.2.1 Specifically, did the Utility consider offering its residential ratepayers capable of demonstrating COVID-19-related income disruptions bill credits like BC Hydro has?

Response:

PNG was aware of BC Hydro's bill credit program when evaluating options for how PNG could support its customers financially impacted by the COVID-19 pandemic. PNG did consider the option of providing bill credits. However, given the potential for a large uptake in such a program it would not adequately balance the needs of customers who would participate in the program with the potential impact of the costs of the program on all customers.

PNG believes that providing customers the ability to defer payments, free of interest, and allowing the payments to be spread out until March 31, 2021, provides immediate, meaningful support in that customers have relief from payments for a period of time as well as an extended repayment period to help manage financial challenges over the longer term. This approach also minimizes the potential costs to all other customers as it is expected that a large number of customers will honour their payment arrangement.

PNG believes that the bill deferral program and related repayment terms more appropriately reflect the unique circumstances in which PNG operates which include having a small customer base that is subject to high natural gas rates, particularly for customers in the western division and in the Tumbler Ridge area.

1.2.1.1 If so, please explain on the record why the Utility chose not to proceed with this form of relief.

Response:

Please see the response to Question 1.2.1.

1.2.1.2 If not, please explain on the record why the Utility chose not to consider this form of relief.

Response:

Please see the response to Question 1.2.1.

1.2.2 Did the Utility consider offering the residential ratepayers capable of demonstrating COVID-19-related income disruptions lower bills (via lower energy rates or discounted basic charges)?

Response:

While discounted rates were identified as a mechanism to potentially help customers requiring financial assistance as a result of COVID-19, PNG did not put serious consideration into this option. PNG's rates are set to recover the utility's cost to serve customers. At this time, PNG is not expecting its cost to serve customers to materially decrease and as such any discounted rate would not allow PNG to recover its costs. Any shortfall would require deferral account treatment to allow PNG to recover these lost revenues from all customers at a future date. PNG does not believe that this would adequately balance the needs of customers requiring assistance as a result of the COVID-19 pandemic with all other customers.

PNG also notes that the degree to which the pandemic financially impacts customers varies. PNG believes there is a large portion of customers that maintain the ability to pay their utility bills and that it is in the best interest of all customers for those customers that can pay their bills at existing rates to continue to do so.

PNG believes that the bill deferral program and related repayment terms more appropriately reflect the unique circumstances in which PNG operates which include having a small customer base who are subject to high natural gas rates, particularly for customers in the western division and in the Tumbler Ridge area.

1.2.2.1 If so, please explain on the record why the Utility chose not to proceed with this form of relief.

Response:

Please see the response to Question 1.2.2.

1.2.2.2 If not, please explain on the record why the Utility chose not to consider this form of relief.

Response:

Please see the response to question 1.2.2.

1.2.3 Did the Utility consider offering its residential ratepayers capable of demonstrating COVID-19-related income disruptions any other form of economic relief aside from that included in the Application?

Response:

PNG did not consider any other form of economic relief aside from the payment deferral programs described in Exhibit B-1 and the bill credits and discounted rates as described in PNG's response to Question 1.2.1 and 1.2.2.

1.2.3.1 If so, please describe those forms of relief discussed and why the utility chose not to proceed with this form of relief.

Response:

Please see the response to question 1.2.3.

1.2.3.2 If not, please describe why PNG chose not to examine the economic relief measures being offered across the world by utilities to their ratepayers during this unprecedented time.

Response:

PNG engaged with other natural gas utilities across Canada through the Canadian Gas Association to understand what relief other utilities were offering their customers. PNG's deferral program is generally in line with what other natural gas utilities in Canada have made available to customers. PNG did not look beyond Canada to understand what programs were being offered to help customers who have been financially impacted by COVID-19. PNG's goal was to provide immediate relief for customers impacted by COVID-19 and feels that the bill payment deferral program achieves this objective.

2.0 Reference: Exhibit B-2, BCUC IR 1.2.1.1

2.1 Can PNG confirm on the record whether it has considered scenarios where the COVID-19 economic crisis continues well past June 30, 2020?

Response:

PNG believes the economic impacts of COVID-19 will likely extend past June 30, 2020. The bill payment deferral program was developed to provide customers financially impacted by the COVID-19 pandemic immediate relief from their bills. As such, PNG did not run specific scenarios in developing the bill payment deferral program.

PNG believes that providing customers the ability to defer payments, free of interest, and allowing the payments to be spread out until March 31, 2021, provides immediate, meaningful support in that customers have relief from payments for a period of time as well as an extended repayment period to help manage financial challenges over the longer term, while minimizing the potential costs to all other customers. In addition, PNG understands that there are government assistance programs available for individuals as well as significant federal and provincial COVID-19 programs and benefits available to assist individuals with their financial responsibilities.

2.1.1 If not, can the Utility explain why not?

Response:

Please see the response to Question 2.1.

2.1.2 If so, please provide the details of those scenarios and the results of PNG's considerations of each scenario.

Response:

Please see the response to Question 2.1.

2.2 Can PNG confirm that it will not offer bill deferrals for customer costs incurred after June 30, 2020 – the end date specified in this Application?

Response:

Confirmed. However, PNG will continue to work with customers on flexible pay arrangements to help manage their gas bills. Further, PNG intends to track any flexible pay arrangements attributable to COVID-19, and may seek to have bad debt associated with broken pay arrangements recovered through the disposition of the deferral account at a future date.

2.2.1 If PNG will seek to or consider offering bill deferrals to its qualifying residential ratepayers beyond June 30, 2020, please describe the conditions necessary for PNG to proceed on that basis.

Response:

Please see the response to Question 2.2.

3.0 Reference: Exhibit B-2, BCUC IR 1.3.1 and 1.3.2

- 3.1 Please provide a copy of the Residential and the Small Commercial online application forms.

Response:

Application for assistance can be made online or over the telephone. Online applications can be accessed through PNG's website at:

<https://www.png.ca/account/covid-19-customer-relief-program/18-forms-downloads/193-covid-19-customer-relief-program-form>

For convenience, PNG has reproduced the online application forms on the pages that follow.

Residential Application

COVID-19 CUSTOMER RELIEF PROGRAM

The Customer Relief Program supports PNG's residential customers who are unable to work or have lost their livelihood, and small businesses that have experienced income loss or been forced to close as a result of the COVID-19 outbreak.

To apply for the PNG Customer Relief Program, please complete all required fields below.

NOTE: to be eligible for this program your account must be current (no outstanding balance) as of March 1, 2020.

* Indicates a required field

Service type

Radios group *

Residential Home

Small Commercial

Natural gas account number — Residential*

16-Digit Account Number *

Account holder name

Last Name *

First Name *

Home Telephone

Email Address *

Service Address *

City *

Province

Postal Code *

Add another service address

I am enrolled in the Pre-authorized Payment Plan *

Yes

No

Lost income confirmation*

I'm a residential customer who has lost income due to the COVID-19 public health emergency.

Repayment arrangement confirmation *

I agree to enter into a repayment arrangement for the deferred balance over a twelve-month repayment period, commencing July 1, 2020 and completing by March 31, 2021. *

PNG will contact you by phone to update you on the status of your application.

Disclaimer note: Depending on how the COVID-19 outbreak situation progresses and the duration of public health orders and measures in place, adjustments to the repayment period may be made.

Emails from Pacific Northern Gas Ltd.

To ensure compliance with Canada's Anti-Spam Legislation (CASL), we require your consent to communicate with you by email. *

PNG collects, uses and discloses your personal information in accordance with the Personal Information Protection Act (British Columbia).

To obtain a record of this information, please print a copy of this form before submitting to Pacific Northern Gas Ltd.

After submitting this form, you will receive a confirmation e-mail. Please ensure that your e-mail address is correct.

Commercial Application

COVID-19 CUSTOMER RELIEF PROGRAM

The Customer Relief Program supports PNG's residential customers who are unable to work or have lost their livelihood, and small businesses that have experienced income loss or been forced to close as a result of the COVID-19 outbreak.

To apply for the PNG Customer Relief Program, please complete all required fields below.

NOTE: to be eligible for this program your account must be current (no outstanding balance) as of March 1, 2020.

* indicates a required field

Service type

Radios group *

- Residential Home
 Small Commercial

Natural gas account number — Small Commercial*

16-Digit Account Number *

Business Legal Name

Type of business

Account holder name

Last Name *

First Name *

Business Phone

Email Address *

Service Address *

City *

Province

Postal Code *

Add another service address

I am enrolled in the Pre-authorized Payment Plan *

- Yes
 No

Lost income confirmation*

- I am a small business who has had a significant loss of revenue but remains open due to the COVID-19 outbreak
 I am a small business who has been forced to temporarily close due to the COVID-19 outbreak

Date of business closure

Repayment arrangement confirmation *

- I agree to enter into a repayment arrangement for the deferred balance over a twelve-month repayment period, commencing July 1, 2020 and completing by March 31, 2021. *

PNG will contact you by phone to update you on the status of your application.

Disclaimer note: Depending on how the COVID-19 outbreak situation progresses and the duration of public health orders and measures in place, adjustments to the repayment period may be made.

Emails from Pacific Northern Gas Ltd.

- To ensure compliance with Canada's Anti-Spam Legislation (CASL), we require your consent to communicate with you by email. *

PNG collects, uses and discloses your personal information in accordance with the Personal Information Protection Act (British Columbia).

To obtain a record of this information, please print a copy of this form before submitting to Pacific Northern Gas Ltd.

After submitting this form, you will receive a confirmation e-mail. Please ensure that your e-mail address is correct.

4.0 Reference: Exhibit B-2, BCUC IR 1.5.3

- 4.1 Please provide the Weighted Average Cost of Debt (%) proposed and, for comparison, the Late Payment Fees that would otherwise be recovered on overdue balances.

Response:

The PNG Consolidated (PNG-West and PNG(NE)) proposed Weighted Average Pre-Tax Cost of Debt is 8.40% which is consistent with the Test Year 2020 return on rate base as per PNG's 2020-2021 Revenue Requirements Applications currently before the BCUC. PNG notes that this allowed equity return component has been adjusted to a pre-tax basis. In comparison, PNG charges 1.5% per month (19.56% per annum) for Late Payment Charges.

5.0 Reference: Exhibit B-2, BCUC IR 1.5.4

- 5.1 Please provide the provisions for bad debt for PNG and PNG NE that are included in their proposed RRAs currently before the BCUC.

Response:

The bad debt provision included in the PNG-West 2020-2021 Revenue Requirements Application for Test Year 2020 is \$50,000. The bad debt provision included in the PNG(NE) (FSJ/DC and TR) 2020-2021 Revenue Requirements Applications for Test Year 2020 is \$83,000.

6.0 Reference: Exhibit B-2, BCUC IR 1.5.5

- 6.1 Please elaborate with respect to the criteria that PNG will use to determine whether bad debt incurred is (i) expected/forecast and therefore covered by the bad debt component embedded in O&M costs or (ii) attributable to COVID-19 and hence eligible for booking into the proposed deferral account that is the subject of this application.

Response:

PNG has initiated the use of a "COVID" tracking code which is being applied to the customer record in PNG's billing system when the Care Centre is advised by a customer that they are not able to pay their bill as a result of COVID-19. In some cases, outstanding customer balances will go into the deferred payment program, and in other cases customers will make informal pay arrangements. PNG still notes that these customer arrangements are "COVID" related.

If bad debts arise as a result of customers who have the "COVID" tracking code attached to their accounts, they will be applied to the COVID-19 deferral. However, there are potentially a number of customers who are unable to pay their bills, but have notified the Care Centre that they are COVID-19 impacted. For these situations, PNG will on a best-efforts basis establish whether any bad debts that arise from these customers should be attributed to the bad debt embedded in O&M costs, or be attributed to the COVID-19 deferral.

Lastly, on March 20, 2020, through letter L-13-20 the BCUC directed all BCUC regulated utilities including PNG to suspend any customer disconnections for matters other than safety for at least 90 days. At that time, PNG had a significant number of customers identified for lock off due to delinquent account status during the winter season. In complying with the BCUC Directive, PNG's ability to collect on those outstanding accounts has been significantly impacted. PNG will attempt to continue to collect on these receivables, but will submit that bad debt associated with PNG's inability to disconnect customers should also be eligible for recording into the proposed deferral account.

- 6.2 Please confirm that there is no possibility of double counting any bad debt expenses and explain briefly how PNG has eliminated this possibility.

Response:

PNG confirms that there is no possibility of double counting any bad debt expenses. While bad debt expense is established as a general provision, PNG will record actual bad debts on the basis of specifically identified customer accounts.

7.0 Reference: Exhibit B-2, BCUC IR 1.5.9

The referenced response states:

PNG notes that following the World Health Organization declaration of a pandemic, PNG triggered its Incident Command System and activated the Emergency Operations Centre (EOC). The EOC team meets frequently and addresses all operational matters as a result of the COVID-19 working environment. During these meetings, the team has identified and discussed incremental and unplanned expenses and these are being tracked separately by the finance team. [Emphasis added.]

- 7.1 Please provide any elaboration or specific information available with respect to the incremental and unplanned expenses that have been identified to date.

Response:

PNG notes that incremental and unplanned expenses that have been incurred to date include: additional PPE supplies to protect employees and sanitize workspaces; communication costs for employees who have been asked to work remotely instead of at the office; and labour costs for bargaining unit employees who have had to travel to the Kitimat office (from their homes in Terrace) specifically as a result of COVID.

In addition, PNG has engaged a communications firm to assist with communications to employees and the public. PNG has also engaged an Emergency/Business Continuity consultant on a limited basis to support its pandemic planning. PNG may incur other costs in addition to the specific items noted, but will attempt to mitigate additional costs to be recovered by identifying offsetting cost savings before finalizing a specific amount in the deferral account for recovery.

8.0 Reference: Exhibit B-1

8.1 Can PNG confirm that deferred amounts will be tracked and recovered on a Rate Schedule specific basis?

Response:

PNG can confirm that deferred amounts are being tracked based on customer Rate Class. The recovery of the deferred amounts in rates will be determined through a future BCUC process.