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Via E-Mail and Courier

December 4, 2017

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

File No.: 4.2 (2017)

Attention: Patrick Wruck
Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: Pacific Northern Gas (N.E.) Ltd.
Application for a Certificate of Public Convenience and Necessity to
Acquire and Operate the North Pine Fuel Gas Pipeline - Resubmission**

On November 3, 2017, Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) submitted an application to the Commission for approval of a Certificate of Public Convenience and Necessity (CPCN) to acquire ownership of and to operate a new 5.3 kilometer fuel gas pipeline (Fuel Gas Pipeline) to provide service to the AltaGas Northwest Processing Limited Partnership (AltaGas NPLP) at its North Pine Facility (Original Application).

In the intervening period, PNG(NE) has had discussions with Commission Staff on their preliminary review of the Original Application. In these discussions, Commission Staff noted the following items:

- 1) Commission Staff expressed a preference for PNG(NE) to provide executed copies of the agreements underlying the Original Application in order to eliminate uncertainty around the draft nature of these agreement and to provide clarity of agreement terms for the conduct of the review; and
- 2) Commission Staff identified an error in the reference to the *Utilities Commission Act* section under which PNG(NE) was seeking CPCN approval.

To eliminate any confusion on these two matters, and to facilitate an efficient and effective review of its request, PNG(NE) wishes to recall the correspondence submitted on November 3, 2017, including the cover letter (Original Letter) and the Original Application, and hereby

submits in their place this resubmission, including this cover letter and the accompanying Application, both dated December 4, 2017 and incorporating the following changes:

- 1) Executed copies of the agreements underlying the Amended Application, including:
 - Agreement for Firm Transportation Service (TSA) (Appendix D);
 - Cost Reimbursement Agreement (CRA) (Appendix E);
 - Pipeline Conveyance Agreement (PCA) (Appendix F); and
 - Master Access Agreement (MAA) (Appendix G).

PNG(NE) notes that the terms in the executed agreements are consistent with those of the draft agreements included in the Original Application.

- 2) Correction of the reference to the section of the *Utilities Commission Act* under which PNG(NE) is seeking CPCN approval to section 45.

PNG(NE) hereby encloses ten copies of this cover letter and the Application and requests that the Commission and the parties copied on the Original Letter please discard the copies of the Original Letter and the Original Application circulated on November 3, 2017.

Background

AltaGas NPLP is in the process of completing the construction of the first phase of its North Pine Facility, a 20,000 Bbls/day natural gas liquids separation and handling facility located approximately 40 kilometers northwest of Fort St. John, British Columbia, as well as the construction of two pipelines to transport the condensate and natural gas liquid feedstock products for the facility. Fuel gas requirements for phase one of the North Pine Facility have been estimated to be 280,000 GJ per year. Fuel requirements are expected to double to 560,000 GJ per year with the completion of phase two of this project.

AltaGas NPLP has approached PNG(NE) to provide transportation service for the natural gas required as fuel for the North Pine Facility. As the North Pine Facility is not adjacent to PNG(NE)'s existing transmission and distribution infrastructure, a new fuel gas supply pipeline must be constructed to provide this service. A key consideration in the request for service was whether the Fuel Gas Pipeline would be constructed by PNG(NE) or by AltaGas NPLP. Based on a lower cost forecast and significant qualitative considerations around permitting, consultation, routing and work scheduling requirements the decision was made to proceed with construction of the Fuel Gas Pipeline by AltaGas NPLP.

To provide natural gas transportation service for the North Pine Project, PNG(NE) would acquire ownership of and operate the Fuel Gas Pipeline. Pending Commission approval, PNG(NE) has entered into a transportation services agreement (TSA) with AltaGas NPLP for an initial period of 20 years. Under the TSA PNG(NE) will provide service to AltaGas NPLP at the Small Industrial

Service Rate (RS10) applicable to the Fort St. John/Dawson Creek service area for a firm volume of 280,000 GJ per year, with a minimum monthly take-or-pay commitment based on the equivalent to 240,000 GJ per year, thereby providing PNG(NE) with a minimum guaranteed revenue stream over the term of the contract. Service under the TSA is planned to commence upon Commission approval of PNG(NE)'s Application in anticipation of the North Pine Facility beginning commercial operation in December 2017.

CPCN Approval is in the Public Interest

PNG(NE) submits that the approval sought in this Application is in the public interest. As documented in the Application, the acquisition and operation of the Fuel Gas Pipeline by PNG(NE) will provide financial benefits to other customers in the Fort St. John/Dawson Creek service area, primarily in the form of positive rate impacts.

Based on serving phase one of the North Pine Facility at the minimum take-or-pay volume established for the firm contract demand, PNG(NE) estimates incremental revenues with a net present value of \$2.333 million will be realized and will provide for the full recovery of the capital cost of the pipeline, as well as \$6,000 in incremental margin during the initial 20-year term of the service agreement. The estimated incremental margin will be enhanced in the event that the actual capital cost of the Fuel Gas Pipeline comes in at less than the cost cap of \$1.8 million, and also in the event that volumes delivered are in excess of the minimum contracted take-or-pay volume.

Further, should the contract for service be extended beyond the initial 20-year period, additional financial benefits would be realized. And should AltaGas NPLP proceed with phase two of the North Pine Facility, which would double fuel requirements, there would be further financial benefits to PNG(NE) and its customers.

In PNG(NE)'s view there are no financial or operational risks associated with the proposed transaction and service arrangements that have not been mitigated through contractual arrangements or cannot be mitigated in the normal course of operation. Contractual arrangements are such that the purchase price of the asset is capped at \$1.8 million and that all capital and operating costs are recovered from the customer, and also that PNG(NE) is protected against general business risks. In addition, the Fuel Gas Pipeline is being constructed and will be operated and maintained to PNG(NE)'s existing standards for infrastructure of this nature.

Request for Expedited Review

As service to AltaGas NPLP is planned to commence in early December 2017, PNG(NE) is seeking Commission approval for this expenditure on an expedited basis.

In this Application, PNG(NE) is seeking approval for capital expenditures not to exceed \$1.8 million to acquire ownership of the Fuel Gas Pipeline in order to provide service to a single

customer under an existing tariff. Under the Commission's 2015 Certificate of Public Convenience and Necessity Application Guidelines (CPCN Guidelines), the Commission has discretion as to whether or not hearings are held on an application. Given the factors listed at the beginning of this paragraph, PNG(NE) submits that the Application is of a straight-forward nature, is absent of contentious issues and has limited risks, and therefore requests the Commission consider exercising its discretion to waive the requirement for a hearing on this submission.

However, should the Commission consider it necessary to proceed with a hearing on this Application, PNG(NE) supports the use of the Commission's Streamlined Review Process (SRP) in order to facilitate an expeditious and efficient review process. Alternately, PNG(NE) is open to a review of this Application under an expedited written process.

Summary of Approval Sought

PNG(NE) respectfully applies for Commission approval, pursuant to section 45 of the *Utilities Commission Act*, of a CPCN for capital expenditures not to exceed \$1.8 million for the acquisition and operation of the Fuel Gas Pipeline that is being constructed to provide service to AltaGas NPLP at its North Pine Facility.

If you require further information or have any questions regarding this submission, please contact the undersigned.

Yours truly,



J.P. Kennedy

Encls. (10)

Sarah Khan – BCOAPO (e-mail only)

Brock John – AltaGas Ltd. (e-mail only)