



PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application and an  
Alternative Application for an Energy  
Project Certificate to construct and operate  
Natural Gas Pipeline Transmission Facilities  
to and on Vancouver Island

BEFORE: J.G. McIntyre, )  
Chairman; and )  
J.D.V. Newlands, ) December 20, 1988  
Deputy Chairman )

O R D E R

WHEREAS Pacific Coast Energy Corporation ("PCEC"), pursuant to Section 18 of the Utilities Commission Act, S.B.C. 1980, c. 60, as amended ("the Act"), made an Application in November 1988, and an Alternative Application in December 1988, ("the Applications") for an Energy Project Certificate to the Minister of Energy, Mines and Petroleum Resources to construct and operate pipeline transmission facilities for the transmission of natural gas to, and on, Vancouver Island; and

WHEREAS pursuant to Section 19(1)(a) of the Act the Minister of Energy, Mines and Petroleum Resources, with the concurrence of the Minister Responsible for Environment referred the Applications to the British Columbia Utilities Commission ("the Commission") for review at a public hearing within prescribed Terms of Reference dated December 20, 1988 and attached as Appendix A to this Order.

NOW THEREFORE pursuant to Section 20 of the Act the Commission hereby orders as follows:

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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

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ORDER  
NUMBER G-111-88

1. A public hearing is to commence at 9:00 a.m. local time, Tuesday, January 24, 1989 in the Hearing Room at the Office of the Commission, Fourth Floor, 800 Smithe Street, Vancouver, B.C.

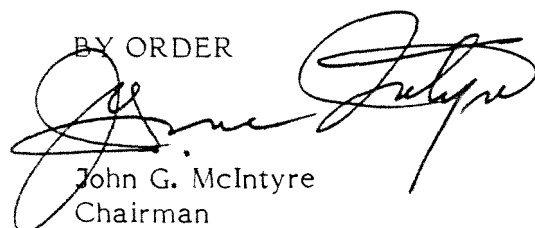
The Division of the Commission named to review the Application will comprise of the following Commission members:

Mr. John G. McIntyre, Chairman  
Mr. Norris Martin, Commissioner  
Mr. Frank C. Leighton, Commissioner

2. PCEC is to publish, not later than Tuesday, December 27, 1988, a Notice of Public Hearing, as per attached copy, in one issue each of the Vancouver Sun, Vancouver Province and other local news publications as may properly provide adequate notice in the affected service areas of the pipeline. Such newspaper advertisements are to be supplemented by spot radio advertisements or community service announcements so as to provide for adequate public information in the service areas.
3. PCEC is to prepare an Executive Summary of the Applications which will be filed with the Commission by January 6, 1989 and distributed to Intervenor and Interested Parties as they become registered with the Commission.
4. PCEC is to file with the Commission, not later than Friday, January 6, 1989, any additional prepared testimony and supplemental material upon which it intends to rely.
5. Intervenor and Interested Parties intending to be present and participate in the public hearing should give written Notice of Intention to do so to the Commission Secretary and to the Applicant, to be received not later than Monday, January 9, 1989. Such notice should state the nature of the interest in the proceeding.
6. Intervenor and Interested Parties intending to file a written submission should provide one copy to the Commission Secretary and one copy to the Applicant, to be received not later than Wednesday, January 18, 1989.

DATED at the City of Vancouver, in the Province of British  
Columbia, this 21<sup>st</sup> day of December, 1988.

BY ORDER



John G. McIntyre  
Chairman



## NOTICE OF PUBLIC HEARING

### THE APPLICATIONS

Pacific Coast Energy Corporation ("PCEC") applied in November 1988 ("the Application") and in December 1988 ("the Alternative Application") to the Minister of Energy, Mines and Petroleum Resources for an Energy Project Certificate to construct and operate Natural Gas Pipeline Transmission Facilities to and on Vancouver Island ("the Applications"). The Applications were referred to the British Columbia Utilities Commission ("the Commission") to review the Applications; to conduct a public hearing thereon; and to submit a Report and Recommendations to the Lieutenant Governor in Council.

### THE PUBLIC HEARING

The Commission has set down the Applications for public hearing commencing at 9:00 a.m. local time, Tuesday, January 24, 1989 at the Commission Hearing Room, Fourth Floor, 800 Smithe Street, Vancouver, B.C.

The Division of the Commission named to review the Application will comprise of the following Commission members:

Mr. John G. McIntyre, Chairman  
Mr. Norris Martin, Commissioner  
Mr. Frank C. Leighton, Commissioner

### PUBLIC INSPECTION OF THE APPLICATIONS

The Applications and supporting material are available for inspection at the Head Office of Pacific Coast Energy Corporation, 1333 West Georgia Street, Vancouver, B.C. V6E 3K9, and at the main Public Libraries in Squamish, Sechelt, Powell River, Courtenay, Campbell River, Port Alberni, Nanaimo, Duncan, and Victoria.

The Applications and supporting material are also available for inspection at the office of the British Columbia Utilities Commission, Fourth Floor, 800 Smithe Street, Vancouver, B.C.

An Executive Summary is to be prepared and made available for inspection in PCEC office, community public libraries as above-noted and will be distributed by the Applicant to interested parties, as they become registered with the Commission.

### INTERVENTIONS

Any person intending to be present at the public hearing and to give evidence or cross-examine witnesses should provide written notice, to be received not later than Monday, January 9, 1989, to the Commission Secretary and to the Applicant. The notice should include a brief statement of the nature of the interest in the proceedings.

### SUBMISSIONS BY INTERESTED PERSONS

Any person intending to file a written submission must do so, to be received not later than Wednesday, January 18, 1989, one copy of the submission to the Commission Secretary and one copy to the Applicant.

### CLARIFICATION

Persons intending to participate in the public hearing, and who are uncertain as to the manner in which to proceed, may contact Mr. R.J. Pellatt, Commission Secretary, or Mr. W.J. Grant, Director of Engineering and Accounting by telephone (660-4700) collect, or in writing.

BY ORDER

Robert J. Pellatt  
Commission Secretary

TRANSMISSION OF NATURAL GAS  
TO AND ON VANCOUVER ISLAND

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TERMS OF REFERENCE

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IN THE MATTER OF  
THE UTILITIES COMMISSION ACT ("the Act")  
S.B.C. 1980, c.60,

and

IN THE MATTER OF AN APPLICATION BY  
PACIFIC COAST ENERGY CORPORATION ("PCEC")  
FOR AN ENERGY PROJECT CERTIFICATE  
TO CONSTRUCT NATURAL GAS PIPELINE  
TRANSMISSION FACILITIES TO AND ON  
VANCOUVER ISLAND ("the Project")

DISPOSITION OF APPLICATION AND TERMS OF REFERENCE  
FOR REVIEW BY THE B.C. UTILITIES COMMISSION

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WHEREAS, in October, 1987, the government of British Columbia called for proposals for the construction and operation of a natural gas pipeline to and on Vancouver Island;

AND WHEREAS, following a review and evaluation of five proposals, in February, 1988, PCEC was invited to prepare an Energy Project Certificate Application;

AND WHEREAS, in September, 1988, the governments of Canada and British Columbia executed a "Statement of Principles" regarding assistance in the construction of the Project;

AND WHEREAS, the governments of Canada and British Columbia seek a number of undertakings from PCEC in respect of completion assurances, employment and procurement benefits, environmental safeguards, and other commitments as specified in the Statement of Principles;

AND WHEREAS, in November, 1988, PCEC submitted an application for an Energy Project Certificate ("the Application");

AND WHEREAS, in December, 1988, PCEC submitted an alternative application for an Energy Project Certificate ("the Alternative Application") which is based upon sourcing of project natural gas directly from the Westcoast Energy Inc. system near Kilgard in the Fraser Valley, rather than from the B.C. Gas Inc. system near Coquitlam;

AND WHEREAS, provincial and federal agencies are reviewing the Application and the Alternative Application;

NOW THEREFORE, pursuant to sections 19(1)(a) and 20 of the Act, the Minister of Energy, Mines and Petroleum Resources, with the concurrence of the Minister of Environment, hereby refers the Application and the Alternative Application to the British Columbia Utilities Commission ("the Commission") for a review. The Commission shall hear the Application and Alternative Application in a public hearing in accordance with the following Terms of Reference, and shall invite comments from interested parties.

1. OBJECTIVE .

The Commission shall recommend to the Lieutenant Governor in Council whether either the Application or the Alternative Application for an Energy Project Certificate should be issued or refused and, if issuance is recommended, the Commission shall also recommend conditions it considers advisable for inclusion in an Energy Project Certificate, an Energy Operation Certificate, or both. The Commission shall base its recommendation on a review and assessment of PCEC's ability to:

- a) design, construct, and operate the Project;
- b) minimize and mitigate any adverse environmental, resource, land use, and socio-economic impacts associated with the Project;
- c) complete the Project on time and on budget; and
- d) purchase and market natural gas to mills and local distribution utilities.

In order to expedite the hearing, the Commission may limit discussion of matters which have previously been reviewed in hearings before the Commission, or for which conclusive documentation has been provided to the proceedings.

## 2. DESIGN, CONSTRUCTION AND OPERATION

The Commission shall review and assess the design, construction, and operation of the project, having regard to timeliness, safety, reliability and efficiency. The review and assessment may include evaluations of:

- a) the proposed land and marine routing;
- b) the adequacy of design specifications, flow diagrams, wall thicknesses and diameters, pipeline lengths, operating and design pressures, cathodic protection, grades, coatings, and swamp weights;
- c) the compatibility with transmission and distribution system tie-ins;
- d) the minimization of the potential for service interruptions from avalanche, rock slide, seismic, and other risks, and from any innovative construction procedures;
- e) the construction and scheduling methods proposed for the marine crossings, river and stream crossings, and for areas used for domestic water supplies;
- f) operating, maintenance, and repair procedures after construction;
- g) the schedule and scope of detailed engineering design, environmental, and other studies;
- h) the construction schedule, matters which may affect the construction schedule, and in-service dates, having particular regard to the reasonableness of these schedules and their compatibility with each other.

## 3. ENVIRONMENTAL, RESOURCE, LAND USE, AND SOCIO-ECONOMIC MATTERS

The Commission shall review and assess significant impacts of the Project on the physical environment, resources, land uses, local services, and the regional, provincial and national economies. The review and assessment may include evaluations of:

- a) the acceptability of the route and alignment from environmental, resource and land use perspectives;
- b) the Project's impacts on the physical and biological environment, resources, and land uses;

- c) PCEC's proposals for avoiding, managing, or compensating for any adverse impacts during construction and operation;
- d) the proposed level of British Columbia and Canadian content with respect to labour, material and equipment procurement;
- e) the structure and responsibilities of a Project steering committee that would monitor the implementation of conditions, requirements, and other procedures associated with Project construction.

#### 4. CAPITAL COSTS

The Commission shall review and assess the Project's capital costs estimates. The review and assessment may include evaluations of:

- a) design and engineering costs;
- b) land and right of way acquisition costs;
- c) pipe, compressor station, and other materials costs;
- d) construction costs, including engineering and overheads;
- e) environmental assessment, design, impact mitigation, and supervision costs;
- f) contingencies;
- g) allowance for funds used during construction;
- h) other capitalized costs;
- i) procedures for monitoring and controlling costs;
- j) methods to deal with possible costs overruns;
- k) estimates of Project completion above, on, and below budget.

#### 5. COST OF SERVICE

The Commission shall review and assess pro forma financial statements, rate base, and cost of service estimates for the period 1990 through 2010 and the assumptions used in their preparation. The review and assessment may include evaluations of:

- a) depreciation expense;

- b) interest and return on equity;
- c) corporate taxes;
- d) operating and maintenance costs, including costs of transmission fuel;
- e) property taxes;
- f) other expenses, taxes or costs added to the cost of service;
- g) ways to lower the cost of service during the first five years of operation, including deferral of depreciation, adjustments to the debt/equity structure, and allowable return on equity.

6. PURCHASES AND MARKETS

The Commission shall review and assess proposed gas purchase plans and markets, using the load forecasts and unit cost of service estimates of the companies awarded distribution franchises. The review and assessment may include evaluations of:

- a) proposed gas purchase, storage and transportation arrangements;
- b) projected gas sales volumes;
- c) proposed gate station rates to local distribution utilities;
- d) proposed agreements and prices for heavy industrial users;
- e) the impact on load forecasts of any marketing or other programs that would accelerate load growth, including PCEC's proposals for administering the large industrial conversion assistance program.

7. OTHER MATTERS

In its review of the Application and the Alternative Application, the Commission shall consider any other matters that may be specified in supplementary Terms of Reference jointly by the Minister of Energy, Mines and Petroleum Resources and the Minister of Environment.

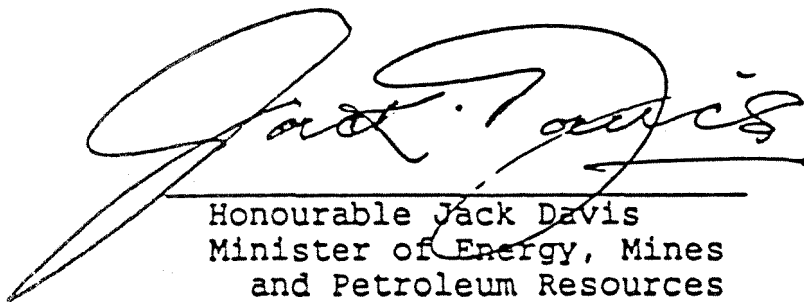


8. REPORT AND RECOMMENDATIONS

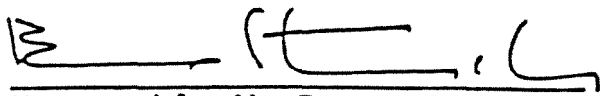
On conclusion of the public hearing, the Commission shall submit a report and recommendations to the Lieutenant Governor in Council by March 22, 1989, or as soon thereafter as may be practical. In the event that there are impediments to the expeditious review of the Application and the Alternative Application, the Commission shall advise the Minister of Energy, Mines and Petroleum Resources, and indicate what measures may assist in expediting the review process.

9. TRANSMITTAL

Pacific Coast Energy Corporation's Application and its Alternative Application are transmitted to the Commission with this Disposition and Terms of Reference:



Honourable Jack Davis  
Minister of Energy, Mines  
and Petroleum Resources



Honourable W. Bruce Strachan  
Minister of State for Cariboo  
and Minister Responsible  
for Environment

Dated this 20<sup>th</sup> day of December, 1988.