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CANADA



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-17-95

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

and

The Commission's Rules Regarding Energy Supply Contracts

BEFORE: M.K. Jaccard, Chairperson; and)
K.L. Hall, Commissioner) February 20, 1995

O R D E R

WHEREAS:

- A. The Commission issued the Rules Regarding Energy Supply Contracts ("the Rules") in conjunction with its March 11, 1993 Decision on Domestic Natural Gas Supply. The Decision anticipated that there would be future reviews of matters related to direct sales to core market consumers; and
- B. On April 6, 1994 the Commission issued a letter that invited comments on implementation problems and impediments to direct sales to core market consumers and issued Order No. G-42-94 to deal with several of the concerns that parties raised in response to the invitation; and
- C. On January 31, 1995, by Order No. E-4-95, the Commission approved for BC Gas three mid-year buy/sell gas purchase contracts and advised that it would review whether future buy/sell contracts, starting at a date other than November 1 of any year, should be approved, and that the process of such a review would be established by a future Order of the Commission; and
- D. A number of parties have raised other concerns about current practices and procedures for buy/sell gas purchase contracts, including the requirement in the Rules for a rolling four-year term for core market supply contracts; and
- E. The Commission has reviewed these factors and finds that a written public hearing prior to the completion of direct purchase arrangements for the 1995/96 gas purchase year is required.

NOW THEREFORE the Commission orders as follows:

1. A public hearing in written form reviewing issues that relate to Buy/Sell Deliveries to the Core Market is required. A Notice of Written Hearing is attached as Appendix A to this Order.
2. The Commission requires that Intervenors intending to participate in the written hearing follow the requirements contained in the Timing Deadlines in the Notice and file comments on the Preliminary List of Issues, attached as Appendix B to this Order. The preliminary List of Issues will be amended, if required by the Commission, based on submissions received.
3. The Commission will publish the Notice of Written Hearing in the B.C. Gazette and will distribute the Order and Appendices to previous Intervenors/Interested Parties in the 1993 public hearing into Domestic Natural Gas Supply.

DATED at the City of Vancouver, in the Province of British Columbia, this *23rd* day of February, 1995.

BY ORDER



Dr. Mark K. Jaccard
Chairperson

Attachments

REVIEW OF BUY/SELL DELIVERIES TO THE CORE MARKET

NOTICE OF WRITTEN HEARING

BACKGROUND

The Commission's March 11, 1993 Domestic Natural Gas Supply Decision anticipated the review at a future date of matters related to direct sales to core market consumers. Order No. G-42-94 dealt with several concerns that were raised in response to the Commission's April 6, 1994 letter, which invited comments on implementation problems and impediments to direct sales. Order No. E-4-95, which approved three buy/sell contracts starting February 1, 1995, stated that the Commission intends to review whether future buy/sell contracts starting on a date other than November 1 should be approved and, if so, to determine the appropriate price for such deliveries. In addition, several parties have raised various concerns about the current practices and procedures for buy/sells.

COMMISSION ACTION

The Commission has reviewed the situation and hereby sets the matter down for a written hearing. It is the intention of the Commission to establish practices and procedures in a timely fashion for the 1995/96 gas contract year that will facilitate the use of buy/sells over the longer term as an alternative direct purchase delivery mechanism for core market consumers.

A preliminary List of Issues is attached to this notice. The Commission hereby advises all parties of the hearing process that will be followed and of the filing deadlines. A meeting in the Commission's offices in Vancouver to clarify the issues to be considered and to discuss procedural matters will be scheduled on March 29, 1995 if necessary.

INTERVENTIONS

Interested parties are required to register their intention to intervene with the Commission Secretary by March 17, 1995, following which the Commission will prepare a list of registered intervenors and a final List of Issues. Each party is directed to provide a copy of all its submissions on this matter to all other intervenors.

The Commission directs each party, when it registers, to identify those issues on which it is prepared to file evidence with regard to specific actions that the Commission could take to resolve the issue. In the event that no party is prepared to propose a means by which to remedy a particular concern, the Commission may remove the issue from the List of Issues.

TIMING DEADLINES

- Interested parties must register their intention to intervene with the Commission Secretary and file any comments on or proposed changes to the preliminary List of Issues by March 17, 1995.
- A list of registered intervenors and the final List of Issues will be issued to intervenors by the Commission on or before March 31, 1995.
- Submissions on matters included in the final List of Issues must be filed with the Commission and copied to other intervenors by April 21, 1995.
- Information Requests must be filed with the Commission and copied to other intervenors by May 5, 1995.

- Responses to Information Requests must be filed with the Commission and copied to other intervenors as soon as possible and no later than May 19, 1995.
- Final Arguments must be filed with the Commission and copied to other intervenors by June 2, 1995.
- Any Rebuttal Arguments must be filed with the Commission and copied to other intervenors by June 9, 1995.

CLARIFICATION

Persons intending to participate in the written hearing, and who are uncertain as to the manner in which to proceed, may contact Mr. R.J. Pellatt, Commission Secretary, or Mr. Brian Williston, Senior Petroleum Engineer, by telephone (604) 660-4700 or B.C. Toll Free: 1-800-663-1385, or in writing to the above address or by facsimile to (604) 660-1102. The Commission can also be reached on the Government Electronic Mail system ("GEMS") at RPELLATT@BCSC or on the Internet at RPELLAT@ GALAXY.GOV.BC.CA

BY ORDER

A handwritten signature in black ink, appearing to read 'R. J. Pellatt', written over a horizontal line.

Robert J. Pellatt

REVIEW OF BUY/SELL DELIVERIES TO THE CORE MARKET

Preliminary List of Issues

1. Term requirement for baseload supply contracts
 - is the rolling four year criteria still needed
 - if not, what term requirement would be appropriate
 - should one year buy/sells be approved as non-baseload gas

2. Part year deliveries
 - should contracts that do not start on November 1 be approved in future
 - must all contracts end on October 31
 - should customer additions or deletions only be permitted on November 1
3. Reference prices paid for buy/sell gas
 - should price be based on market indexes rather than the LDC's cost of gas
 - when should reference prices for the next gas year be filed
 - how often should reference prices be adjusted and using what price information
 - what price should part year deliveries receive
 - should one year buy/sell gas receive the average reference price
4. Pipeline capacity
 - should the LDC provide Westcoast zone 3 transportation needed by the core
 - should the LDC have any responsibility to provide zones 1 and 2 capacity
 - how should the cost of stranded capacity be allocated
5. Notification requirements
 - how much notice is appropriate for a new buy/sell contracts
 - how much notice is appropriate to add or delete customers
 - what notice is appropriate to extend a one year buy/sell contract
6. Ability of LDC's to market-out
 - cost to obtain market-out provisions in long term contract
 - use of short-term supply to provide contracting flexibility
7. Alternative buy/sell concepts
 - what is the appropriate load factor for calculation of DCQ
 - should a buy/sell reflect the load factor of the customer group
 - can the buy/sell documentation be simplified
 - should a specific purchase be streamed to a group of customers