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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-80-98

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

an Application by Centra Gas British Columbia Inc.
for Approval to Enter into a Lease Agreement for its Third Compressor at Coquitlam, B.C.

BEFORE: P. Ostergaard, Chair)
K.L. Hall, Commissioner) September 10, 1998

O R D E R

WHEREAS:

- A. The Commission, by Order No. C-5-97, approved for Centra Gas British Columbia Inc. ("Centra Gas") a Certificate of Public Convenience and Necessity to construct and operate a third compressor at Coquitlam, B.C.; and
- B. The original 1997 application for a third compressor was based on Centra Gas purchasing and owning the plant and compressor equipment that was forecasted to cost \$17.1 million; and
- C. In 1997/98, Centra Gas evaluated the financial options to either lease or own the compressor equipment and requested lease proposals from four companies including Westcoast Capital Corporation ("WCC"), an affiliated company. The WCC proposal identified a ten-year lease with \$1.3 million of residual value; and
- D. On July 31, 1998, Centra Gas applied to the Commission, pursuant to Section 23 of the Utilities Commission Act ("the Act"), for approval to establish a deferral account for WCC compressor lease payments and to fully amortize the lease payments each year. The application included a present value analysis of the lease payments versus the owning option which confirmed the WCC lease option to be the least costly over the ten-year period; and
- E. On September 3, 1998, Centra Gas provided a revised term sheet of the WCC bid which increased the residual value to approximately \$2 million; and

E. The Commission has reviewed the Application and finds that it should be approved.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves Centra Gas' application to enter into a ten-year lease with WCC for the Coquitlam compressor, with terms substantially similar to the revised term sheet, subject to the conditions that if Centra Gas purchases the compressor at the end of the ten-year lease, the purchase price would not exceed the residual value or, if the compressor is leased for an additional term, then the lease payment would be based on the residual value from the first term.
2. The Commission approves a deferral account to record the lease payments with 100% amortization of the lease payments in the current year.
3. The Commission directs Centra Gas to file a report within six months of the end of the initial ten-year lease period which justifies the decision to either purchase the compressor, renew the lease, purchase or lease a different compressor, or have the leased compressor removed.
4. The Commission directs Centra Gas to file a copy of the executed compressor Lease Agreement with the Commission and identify the residual value.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of September, 1998.

BY ORDER

Original signed by:

Peter Ostergaard
Chair