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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-121-98

TELEPHONE: (604) 660-4700
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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

The 1998 Application by BC Gas Utility Ltd.
for a Certificate of Public Convenience and Necessity
regarding its Southern Crossing Pipeline Project

BEFORE: P. Ostergaard, Chair)
L.R. Barr, Deputy Chair)
P.G. Bradley, Commissioner) December 17, 1998
K.L. Hall, Commissioner)
F.C. Leighton, Commissioner)

WHEREAS:

- A. On May 30, 1997 BC Gas Utility Ltd. (“BC Gas”, “the Utility”) applied to the Commission (“the 1997 Application”), pursuant to Section 45 of the Utilities Commission Act (“the Act”), for a Certificate of Public Convenience and Necessity (“CPCN”) to expand its existing Interior Transmission System Pipeline by looping a distance of 312 km (194 miles), with a 610 mm, (24 inch) pipeline, from Yahk to Oliver, B.C. The CPCN would have allowed BC Gas to construct and operate certain pipeline and compression facilities which comprise the Southern Crossing Pipeline (“SCP”) Project; and
- B. The Commission held a public hearing on the 1997 Application and issued a Decision dated April 3, 1998, which concluded that the SCP Project was not the preferred option at that time, and denied the request for a CPCN for the Project; and
- C. In its April 3, 1998 Decision, the Commission recognized that planned cogeneration plants on Vancouver Island and the Burrard Thermal Plant might provide a low cost peaking option for the customers of BC Gas and that the demand for baseload gas for these plants could make a pipeline proposal such as SCP more attractive, and therefore established a timetable for BC Gas to explore with British Columbia Hydro and Power Authority (“B.C. Hydro”) ways in which the two utilities could better serve their customers through a peak shaving arrangement; and

- D. On December 11, 1998, in response to the Commission's April 3, 1998 Decision, BC Gas applied for a CPCN for the SCP Project ("the Application"), and added to the scope of the Project a compressor station located at Hedley, B.C. on its existing Kingsvale to Oliver pipeline; and
- E. In the Application BC Gas incorporates by reference the Preliminary Engineering Report and the Engineering Update from its 1997 Application (respectively, Exhibit 1, Tab 1, Appendices I and III from the 1997 SCP proceeding); and
- F. The Application further includes a Firm Tendered Transportation Service Agreement with PG&E Energy Trading, Canada Corporation ("PG&E Trading") for transportation capacity on SCP and a Term Sheet with B.C. Hydro, dated November 27, 1998, regarding a Transportation Service Agreement (the "Transportation Service Agreements") and anticipates that the Commission will address these agreements as part of the review of the Application; and
- G. The Application also states that BC Gas has entered into a peaking supply agreement with PG&E Trading and will enter into a peaking supply agreement with B.C. Hydro, that these agreements will provide a total of 115 TJ/d of peaking gas supply, and that these energy supply contracts will be filed with the Commission; and
- H. The Term Sheet with B.C. Hydro indicates that BC Gas and B.C. Hydro have agreed to develop a rate for transportation service from Huntingdon, B.C. on BC Gas' Coastal Transmission System that is based on the cost of a B.C. Hydro by-pass pipeline, and that this by-pass agreement is independent of the SCP Project and agreements that relate to SCP; and
- I. BC Gas proposes that a review of the Application be conducted in the context of the Commission's April 3, 1998 Decision and that only new issues need to be addressed; and
- J. The Commission has reviewed the Application for the SCP Project and has determined that it will accept submissions on the completeness of the Application, the peaking supply agreements and the Transportation Service Agreements, and any proposals on the process to be used to review these filings. The Commission also has determined that a Workshop is needed.

NOW THEREFORE the Commission orders as follows:

1. The Commission will hold a Workshop into the Application, the peaking supply agreements and the Transportation Service Agreements on Thursday, January 14, 1999, commencing at 9:00 a.m., in Meeting Room Number 1, Robson Square Conference Centre in Vancouver, B.C.
2. Information Requests to BC Gas are to be received by the Utility by January 21, 1999, with responses filed by February 4, 1999.
3. The Commission will accept written submissions, to be received by February 11, 1999, on the completeness of the Application for the SCP Project, the BC Gas peaking supply agreements and Transportation Service Agreements, along with participant views on any further proceedings which may be necessary to consider these filings in the context of either the April 3, 1998 SCP Decision or as new initiatives. BC Gas may reply to these submissions by February 18, 1999.
4. The by-pass agreement between BC Gas and B.C. Hydro for transportation service from Huntingdon, B.C. on BC Gas' Coastal Transmission System will be reviewed separately from the process for review of the Application.
5. Parties intending to participate in the Workshop and subsequent review process, or who wish to receive documentation only, are to register in writing with the Commission Secretary no later than January 8, 1999, indicating the nature of their interest, whether they propose to be full participants or interested parties and whether they plan to attend the Workshop.
6. In order to properly notify those parties who may wish to participate, BC Gas is to publish, in display ad format, as soon as possible, the attached Notice of Workshop in the Vancouver Sun, The Province, The Globe and Mail, the Alaska Highway News, and in newspapers in the SCP Project service area.
7. Participant Assistance will be available for participation in the process for review of the Application. All parties intending to apply for Participant Assistance must submit a budget estimate by Friday, January 22, 1999 consistent with the Commission's Participant Assistance Cost Award Guidelines as outlined in Order No. G-97-98. Copies of these Guidelines are available upon request.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of December, 1998.

BY ORDER

Original signed by:

Peter Ostergaard
Chair

Attachment

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: http://www.bcuc.com



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APPENDIX A
to Order No. G-121-98
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NOTICE OF WORKSHOP

BC GAS UTILITY LTD. Application for a Certificate of Public Convenience and Necessity for Approval to Construct the Southern Crossing Pipeline Project

Date: Thursday, January 14, 1999
Time: 9:00 a.m.
Location: Meeting Room Number 1
Robson Square Conference Centre
Robson Street between Hornby and Howe Streets
Vancouver, B.C.

THE APPLICATION

BC Gas Utility Ltd. ("BC Gas") applied to the Commission on December 11, 1998 for a Certificate of Public Convenience and Necessity ("CPCN") to expand its existing Interior Transmission System Pipeline from Yahk to Oliver, B.C. and to install a compressor station at Hedley, B.C. on its Kingsvale to Oliver pipeline. The 312 km (194 miles) of 610 mm (24 inch) pipeline loop and the compression facilities comprise the Southern Crossing Pipeline ("SCP") Project. BC Gas has filed a transportation service agreement with PG&E Energy Trading, Canada Corporation and will be filing a transportation service agreement with British Columbia Hydro and Power Authority ("B.C. Hydro"). BC Gas will also be filing peaking gas supply agreements with these parties with the Commission.

In its Decision dated April 3, 1998, the Commission denied an earlier application for the SCP Project, and established a timetable for BC Gas to explore with B.C. Hydro ways in which the two utilities could better serve their customers through arrangements for peak shaving supply and potentially for the delivery of additional baseload gas requirements. The December 11, 1998 SCP Application has been filed in response.

REGULATORY PROCESS

Under the Utilities Commission Act, BC Gas is required to obtain a CPCN in order to construct and operate the SCP Project. The Commission has determined it should receive submissions on the completeness of the SCP Application, the peaking supply agreements and the transportation service agreements, together with any proposals on the process to be used to review them. The Commission found that a Workshop is required, and established the following schedule:

| | |
|--|-------------------|
| Workshop | January 14, 1999 |
| Information Requests to BC Gas by | January 21, 1999 |
| Responses to Information Requests by | February 4, 1999 |
| Submissions by Participants to the Commission by | February 11, 1999 |
| Reply by BC Gas to Submissions by | February 18, 1999 |

Parties intending to participate in the review process are to register, in writing, with the Commission Secretary by January 8, 1999, indicating the nature of their interest, whether they propose to be full participants or interested parties and whether they plan to attend the Workshop.

PUBLIC INSPECTION OF THE APPLICATION

The SCP Project Application and supporting materials are available for inspection at the following locations:

BC Gas Utility Ltd.

Head Office: Mr. R.T. Ballantyne
Business Leader, Planning and Project Development
1111 West Georgia Street
Vancouver, B.C. V6E 4M4
Telephone: (604) 443-6862

Web Site www.bcgas.com

Public Libraries Castlegar, Cranbrook, Creston, Fernie, Fruitvale, Grand Forks, Greenwood, Keremeos, Midway, Oliver, Osoyoos, Princeton, Rossland, Trail

British Columbia Utilities Commission Sixth Floor, 900 Howe Street, Vancouver, B.C. V6Z 2N3

PARTICIPANT ASSISTANCE

All parties intending to apply for Participant Assistance must submit a budget estimate by Friday, January 22, 1999 consistent with the Commission's Participant Assistance Cost Award Guidelines as outlined in Order No. G-97-98. Copies of these Guidelines are available upon request.

FURTHER INFORMATION

For further information, contact Robert J. Pellatt, Commission Secretary or Brian Williston, Manager, Engineering and Commodity Markets as follows:

| | | |
|-----------|------------------------------|---------------------------------------|
| Telephone | 660-4700 (Greater Vancouver) | B.C. Toll Free: 1-800-663-1385 |
| Facsimile | (604) 660-1102 | E-mail: commission.secretary@bcuc.com |

BY ORDER

Original signed by:

Robert J. Pellatt