



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

and

The December 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 ) May 21, 1999  
K.L. Hall, Commissioner )  
F.C. Leighton, Commissioner )

**O R D E R**

**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 construct and operate certain pipeline and compression facilities referred to as 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 ("the 1998 Decision"), which concluded that the SCP Project was not the preferred option at that time, and denied the 1997 Application for a CPCN for the SCP Project; and
- C. In the 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 the SCP more attractive. The Commission, therefore, expected BC Gas to expedite negotiations with British Columbia Hydro and Power Authority ("B.C. Hydro") to explore ways in which the two utilities could better serve customers through a peak shaving arrangement; and
- D. On December 11, 1998, 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. BC Gas estimated the cost of the SCP at \$376 million "as spent" dollars, including overhead and allowance for funds used during construction; and
- E. In the Application, BC Gas proposed that the review of the Application be conducted in the context of the 1998 Decision and that only new issues be addressed; and
- F. Commission Order No. G-121-98, dated December 21, 1998, established a timetable for a Workshop, Information Requests, and written submissions on the completeness of the Application and related 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 1998 Decision or as new initiatives; and

- G. The Application included a Firm Tendered Transportation Service Agreement (“Transportation Agreement”) with PG&E Energy Trading, Canada Corporation (“PG&E Energy Trading”) for transportation capacity on SCP. By a letter dated January 8, 1999, BC Gas filed a Transportation Agreement and a Transportation South Capacity Agreement, both dated November 27, 1998, and an Umbrella Letter Agreement dated January 7, 1999, all made with B.C. Hydro; and
- H. By a second letter dated January 8, 1999, BC Gas filed copies of Peaking Gas Purchase Agreements (“Peaking Agreements”) with B.C. Hydro and PG&E Energy Trading dated November 27 and 30, 1998, respectively, and requested that specific terms on pricing and supply arrangements be kept confidential on the basis that disclosure could adversely affect the price or supply of gas to BC Gas and its customers in the future; and
- I. By a letter dated January 13, 1999, B.C. Hydro filed a Put Option Agreement and a CTS Support Agreement, both made November 27, 1998 among B.C. Hydro, BC Gas and BC Gas Inc., and requested that the “Specified Maximum” as defined in the CTS Support Agreement be kept confidential on the basis that disclosure could adversely affect its position and that of its customers; and
- J. In its February 11, 1999 submission, Westcoast Energy Inc. (“Westcoast”) requested that the Commission direct BC Gas to fully disclose the premiums in the Peaking Agreements and the “Specified Maximum” in the CTS Support Agreement; and
- K. In its February 17, 1999 submission, BC Gas requested that the Commission approve the Transportation Agreements and the Peaking Agreements with B.C. Hydro and PG&E Energy Trading; and
- L. Order No. G-21-99, dated February 22, 1999, established the timetable for an oral public hearing commencing Monday, March 29, 1999, to review the Application, with the scope of the hearing to be limited to material changes since the 1998 Decision to the net benefits of the SCP and alternative proposals; and
- M. Order No. G-34-99, dated March 25, 1999, approved the request by Westcoast that the Commission direct BC Gas to fully disclose the undisclosed premiums in the Peaking Agreements only with respect to the previously undisclosed information in Sections 5.1 and 5.3 of the B.C. Hydro Peaking Agreement, and otherwise denied the request; and
- N. Order No. G-35-99, dated March 25, 1999, denied the request by Westcoast for disclosure of the Specified Maximum in the CTS Support Agreement; and
- O. The public hearing commenced on March 29, 1999 and oral argument was completed on April 13, 1999; and
- P. In the public hearing, BC Gas requested approval of the Transportation South Capacity Agreement with B.C. Hydro; and
- Q. The Commission has considered the Application, the written evidence filed prior to the hearing, and the evidence and argument presented at the public hearing, and has determined that a CPCN should be issued for the SCP provided the conditions in this Order are met.

**NOW THEREFORE** pursuant to sections 45, 46, 64 and 71 of the Act, the Commission finds that the issuance of a CPCN for the SCP project and approval of the related agreements will be in the public interest providing that the following conditions precedent are met:

1. BC Gas files, by June 15, 1999, a statement regarding its willingness to accept a CPCN for the SCP that includes, as a condition, the mechanism to limit ratepayer exposure to capital cost overruns that is described in the Decision that accompanies this Order.
2. BC Gas files, by June 15, 1999, executed amendments to the Transportation Agreements with B.C. Hydro and PG&E Energy Trading, which limit the total term of each of these agreements to a maximum of 20 years.
3. BC Gas files, by June 15, 1999, an executed amendment to the Transportation South Capacity Agreement with B.C. Hydro, which clarifies that, in accordance with earlier Commission directives, assignments of Westcoast Transportation South capacity to core market customers wishing to purchase gas directly from non-utility suppliers, take precedence over B.C. Hydro's right of first refusal.
4. BC Gas advises the Commission, by June 15, 1999, of its intended date of completion of the SCP project, and confirms that all related agreements will accommodate that date.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 21<sup>st</sup> day of May, 1999.

BY ORDER

*Original signed by:*

Peter Ostergaard  
Chair