



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

and

An Application by BC Gas Utility Ltd.  
for Approval of a Financing Plan for the Southern Crossing Pipeline Project

**BEFORE:** P. Ostergaard, Chair )  
L.R. Barr, Deputy Chair ) October 5, 2000  
K.L. Hall, Commissioner )

**O R D E R**

**WHEREAS:**

- A. By Order No. G-51-99 the Commission found that the issuance of a Certificate of Public Convenience and Necessity ("CPCN") for the Southern Crossing Pipeline Project (the "SCP Project") would be in the public interest providing that certain conditions precedent set out in that Order were met; and
- B. One of the conditions in Order No. G-51-99 was that BC Gas Utility Ltd. ("BC Gas") file, by June 15, 1999, a statement regarding its willingness to accept a CPCN for the SCP Project that included, as a condition, the mechanism to limit ratepayer exposure to capital cost overruns described in the Commission's Decision accompanying Order No. G-51-99; and
- C. By letter dated June 15, 1999, BC Gas responded to Order No. G-51-99 stating that it would accept the conditions precedent set out in Order No. G-51-99 including the mechanism to limit ratepayer exposure to capital cost overruns; and
- D. On October 4, 2000, BC Gas applied for approval of transactions, including the creation of subsidiaries and a trust (the "SC Trust"), intended to optimize certain financial aspects of the SCP Project while ensuring that customers and their rates were not adversely affected; and
- E. The October 4, 2000 application of BC Gas referred to the unique cost exposure of the SCP Project to BC Gas' shareholder; and
- F. The October 4, 2000 application of BC Gas indicated that the transactions have risks associated with them and acknowledged that BC Gas' shareholder will be responsible for absorbing those risks.

**NOW THEREFORE** the Commission orders as follows:

- 1. Pursuant to Sections 50 and 54 of the Utilities Commission Act the Commission approves the issuance of common shares by BC Gas Utility Ltd. to 605556 BC Ltd.
- 2. The Commission approves the consolidation of the statements of financial position of 31905 Yukon Inc., 31916 Yukon Inc. and the SC Trust with that of BC Gas Utility Ltd. for regulatory accounting purposes.

3. The Commission approves the inclusion of those capital costs of the SCP Project found by the Commission to be prudently incurred following completion of the SCP Project (up to a maximum of \$409 million) in the authorized rate base of BC Gas Utility Ltd. for regulatory purposes with the proviso that the maximum capital costs of the SCP Project included in the authorized rate base of BC Gas Utility Ltd. be \$414 million if BC Gas Utility Ltd. does not achieve the British Columbia provincial sales tax savings that it expects.
4. The Commission approves the exclusion of the lease payments by BC Gas Utility Ltd. to the SC Trust from the BC Gas Utility Ltd. utility cost of service.
5. The Commission approves the exclusion of the interest payments by BC Gas Utility Ltd. on the loan from the SC Trust from the BC Gas Utility Ltd. utility cost of service.
6. The Commission approves the exclusion of the dividends paid to BC Gas Utility Ltd. by 31905 Yukon Inc. from the utility income of BC Gas Utility Ltd.
7. If BC Gas Utility Ltd. determines it is necessary to transfer the SCP Project plant in service to the direct ownership of BC Gas Utility Ltd., the Commission will approve the SCP Project plant in service being in the BC Gas Utility Ltd. cost of service supported by the capital structure then approved by the Commission, with none of the transaction costs to be the responsibility of utility ratepayers.

**DATED** at the City of Vancouver, in the Province of British Columbia, this *sixth* day of October 2000.

BY ORDER

*Original signed by:*

Peter Ostergaard  
Chair