



SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. V6Z 2N3 CANADA  
web site: <http://www.bccuc.com>

BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-112-00

TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

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

and

The Special Direction to the British Columbia Utilities Commission  
by the Lieutenant Governor in Council through  
Order in Council 1510, dated December 13, 1995

and

The Transportation Service Agreement Between Centra Gas British Columbia Inc. and the  
Island Cogeneration Limited Partnership

and

An Application by Centra Gas British Columbia Inc.  
for Approval of an Extension of the Transportation Service Agreement  
with Island Cogeneration Limited Partnership

**BEFORE:** P. Ostergaard, Chair )  
L.R. Barr, Deputy Chair )  
P.G. Bradley, Commissioner ) December 7, 2000  
B.L. Clemenhagen, Commissioner )  
K.L. Hall, Commissioner )  
N.F. Nicholls, Commissioner )

**O R D E R**

**WHEREAS:**

- A. On May 8, 2000, Centra Gas British Columbia Inc. (“Centra Gas”) applied to the Commission for approval of a Transportation Service Agreement dated April 7, 2000 (“the TSA”) with Island Cogeneration Limited Partnership (“ICLP”) for its Island Cogeneration Plant near Campbell River, B.C.; and
- B. The Island Cogeneration Plant will supply electricity to British Columbia Hydro and Power Authority (“B.C. Hydro”) and steam to Fletcher Challenge Canada Limited’s pulp and paper mill. The TSA provides the terms and conditions of transporting natural gas on Centra Gas’ Vancouver Island Natural Gas Pipeline (“the Pipeline”) for commissioning and start-up, which precedes the commercial operation of the Island Cogeneration Plant; and

- C. The term of the TSA was from April 7, 2000 to the Service Expiry Date, which was defined as the earlier of the Commercial Operation Date or December 31, 2000, or such later date as may be agreed to by the parties; and
- D. Order No. G-61-00 dated June 21, 2000, approved the TSA subject to conditions. Thereafter, Centra Gas and ICLP entered into the First Amending Agreement dated July 24, 2000 to incorporate the conditions into the TSA (the TSA and the First Amending Agreement being collectively, the “Agreement”); and
- E. On November 8, 2000, Centra Gas applied to the Commission for approval of the Second Amending Agreement dated November 1, 2000 to the Agreement to revise the charges under the Agreement and extend the term of the Agreement to the earlier of the Commercial Operation Date or March 31, 2001 (the “Application”); and
- F. The Application included letters from B.C. Hydro, the Vancouver Island Gas Joint Venture (the “Joint Venture”) and ICLP; and
- G. By letter of October 25, 2000, B.C. Hydro stated that it does not support any proposal to delay the commissioning of the plant; and
- H. By letter of October 26, 2000, ICLP stated that it will suffer significant non-recoverable financial hardship if the Application is not granted; and
- I. By letter of November 15, 2000, the Joint Venture stated a number of reasons for opposing the Application; and
- J. By letter dated November 16, 2000, the Commission set out that written comments on the Application by interested parties were to be filed by November 22, 2000, and that Centra Gas was to provide a response to the comments by November 27, 2000; and
- K. By letter of November 22, 2000, ICLP stated that there would be a delay in the commissioning schedule to February 2000 and therefore an extension of the expiration of the Agreement to March 31, 2001 is essential for the project; and

- L. By letter of November 22, 2000, B.C. Hydro stated that it wished to ensure there is no undue delay in achieving the commercial operation date for the Island Cogeneration Project; and
- M. By letter dated November 22, 2000, Centra Gas responded to the comments of the Joint Venture; and
- N. By letter dated November 29, 2000, the Joint Venture confirmed its opposition to the extension of the Agreement; and
- O. By letter of December 6, 2000, Centra Gas reaffirmed its position that the Application would be separate from and not prejudicial to any other firm transportation agreement that Centra Gas may enter into with respect to the Island Cogeneration Project; and
- P. The Commission has considered the Application and other submissions and has determined that the Application should be granted.

**NOW THEREFORE** pursuant to Section 61 of the Utilities Commission Act, the Commission orders as follows:

1. The Commission approves for filing by Centra Gas the November 1, 2000 Second Amending Agreement to the Agreement.
2. Reasons for Decision are attached as Appendix A to this Order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 15<sup>th</sup> day of December 2000.

BY ORDER

*Original signed by:*

Peter Ostergaard  
Chair

Attachment

CENTRA GAS BRITISH COLUMBIA INC.  
APPLICATION FOR EXTENSION OF THE TRANSPORTATION SERVICE AGREEMENT  
WITH ISLAND COGENERATION LIMITED PARTNERSHIP

**REASONS FOR DECISION**

---

**BACKGROUND**

British Columbia Utilities Commission Order No. G-61-00 approved the Transmission Service Agreement between Centra Gas British Columbia Inc. (“Centra Gas”) and Island Cogeneration Limited Partnership (“ICLP”) dated April 7, 2000, as amended by the First Amending Agreement dated July 24, 2000 (collectively, the “Agreement”). The Agreement defines the terms of transportation service to provide commissioning gas to the Island Cogeneration Plant. On November 15, 2000, Centra Gas requested approval of the Second Amending Agreement dated November 1, 2000, which revised the charges under the Agreement and extended the term of the Agreement to the earlier of March 31, 2001 or the Commercial Operation Date (the “Application”).

Several parties filed comments on the Application. The Vancouver Island Gas Joint Venture (the “Joint Venture”) opposed the Application on the basis that the Centra Gas system capacity is constrained on a peak day and that providing service to ICLP will impair its access to interruptible capacity. The Joint Venture submitted that the Agreement provided ICLP with priority access to interruptible capacity that was unduly preferential and prejudicial to the interests of the Joint Venture. ICLP and British Columbia Hydro and Power Authority filed comments that generally supported the Application.

**DECISION AND REASONS**

By the accompanying Order, the Commission approves the Second Amending Agreement, which revises the charges under the Agreement and extends the term of the Agreement, for the following reasons:

1. Commissioning of the Island Cogeneration Plant has been delayed into the first quarter of 2001 and the Commission has no grounds to view the delay as avoidable under reasonably diligent project management; and
2. The delay in commissioning the Island Cogeneration Plant will cause significant financial harm to ICLP and may impact the reliability of electricity supply to Vancouver Island; and

3. The Agreement, as approved by Order No. G-61-00, states that service will be provided to ICLP only if the firm gas requirement demanded by the Joint Venture at that time is met and Centra Gas is not requesting peaking gas from the Joint Venture. That is, the firm service provided to ICLP under the Agreement is of a second priority relative to the Joint Venture's firm service. The available interruptible service is provided to the Joint Venture and ICLP on a pro rata basis so that either party has an equal opportunity to obtain interruptible service; and
4. The rates for firm and interruptible service to ICLP are not lower than the rates applied to the Joint Venture; and
5. The Agreement is without prejudice to future rate setting or agreements that may be entered into once this Agreement has expired. Other gas agreements for the commercial operation of the Island Cogeneration Plant will be reviewed independently. Therefore, the Joint Venture has not shown that it would be materially harmed by the requested Application.