



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 Construct and Operate a Natural Gas Compressor on Texada Island, B.C.

BEFORE: P. Ostergaard, Chair)
B.L. Clemenhagen, Commissioner) July 24, 2001
R.D. Deane, Commissioner)
K.L. Hall, Commissioner)

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. The Commission, by Order No. G-61-00 dated June 21, 2000, approved the Transportation Service Agreement between Centra Gas British Columbia Inc. ("Centra Gas") and the Island Cogeneration Limited Partnership ("ICLP") for the transportation of natural gas to the Island Cogeneration Plant located at Elk Falls, B.C., subject to conditions. Thereafter, Centra Gas and ICLP entered into the First Amending Agreement dated July 24, 2000, to incorporate the conditions into the Transportation Service Agreement (the Transportation Service Agreement and the First Amending Agreement being collectively, the "ICLP TSA"). Commission Order No. G-77-01, dated July 12, 2001, extended the ICLP TSA to August 31, 2001; and
- B. On March 12, 2001, Centra Gas applied to the Commission for approval of a February 28, 2001 Amended and Restated Transportation Service Agreement (the "ARTSA") between Centra Gas and ICLP, which would restate the ICLP TSA effective April 1, 2001, so as to provide interruptible transportation service that would expire on the earlier of the Commercial Operation Date for the Island Cogeneration Plant or June 30, 2002; and
- C. On April 6, 2001, British Columbia Hydro and Power Authority ("B.C. Hydro") applied for approval of a firm and interruptible Transportation Service Agreement ("BCH TSA") dated March 7, 2001 and related agreements, which would provide B.C. Hydro with 28,000 GJ per day of firm transportation service and which is expected to be amended to provide 38,000 GJ per day of transportation; and

- D. On April 2 and 10, 2001, the Vancouver Island Gas Joint Venture raised concerns related to the ARTSA and the BCH TSA; and
- E. On May 28, 2001, by Order No. G-53-01, the Commission ordered a written public hearing into the applications for the ARTSA, BCH TSA and related agreements . On July 6, 2001, the Commission issued Order No. G-75-01 amending the Regulatory Timetable for the hearing; and
- F. On June 11, 2001, Centra Gas applied to the Commission for a Certificate of Public Convenience and Necessity (“CPCN”) to construct and operate a natural gas compressor to be located at Kiddie Point on Texada Island, pursuant to Sections 45 and 46 of the Utilities Commission Act (“the Act”). On July 4, 2001, Centra Gas responded to an Information Request from Commission staff; and
- G. The Texada Island natural gas compressor project (“the Texada Compressor”) will provide Centra Gas with an additional 21,000 GJ per day of natural gas throughput to assist it to meet the load demand of the Island Cogeneration Plant until late 2003 when the Georgia Strait Crossing pipeline is expected to be in service. The Texada Compressor consists of a skid-mounted 4.6 MW (6,114 HP) natural gas turbine-driven centrifugal compressor that is scheduled to be in service by December 2001; and
- H. The Texada Compressor is estimated to cost \$13.3 million and B.C. Hydro will pay all of the capital cost of the Project under the Compressor Facility Agreement dated May 18, 2001 (the “Compressor Facility Agreement”). The Compressor Facility Agreement gives Centra Gas the option to retain the compressor by repaying certain of B.C. Hydro’s capital costs; and
- I. On May 8, 2001, Centra Gas held an Open House on Texada Island to provide information about the Texada Compressor to residents; and
- J. The Commission has reviewed the costs, timing, and justification for the Texada Compressor and has determined that approval of the CPCN Application is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

- 1. Pursuant to Section 45 of the Act, the Commission grants a CPCN to Centra Gas to construct and operate the Texada Compressor in accordance with the time frame and costs described in its June 11, 2001 application.

2. The Commission approves the Compressor Facility Agreement with respect to provisions that relate to the construction and operation of the Texada Compressor.
3. Centra Gas is directed to obtain prior Commission approval in the event it wishes to retain the Texada Compressor pursuant to the Compressor Facility Agreement. In the event Centra Gas applies for such approval, it will be expected to demonstrate that it is not paying more than fair market value for the Texada Compressor and that the resulting addition to rate base will be in the best interests of its ratepayers.
4. The Commission approves Centra Gas' application to record incremental operating expenses related to the Texada Compressor in an interest bearing deferral account, with the prudence and disposition of the account balance to be determined at a future date.
5. The Commission approves an amortization period for the B.C. Hydro contribution in aid of construction under the Compressor Facility Agreement that is equal to the depreciation period for the Texada Compressor.
6. Centra Gas is to provide the Commission with brief monthly progress reports on project costs and schedule, followed by a full Final Report upon project completion. The reporting format for all filings required by this Order are to be established in consultation with Commission staff.

DATED at the City of Vancouver, in the Province of British Columbia, this 25TH day of July 2001.

BY ORDER

Original signed by:

Peter Ostergaard
Chair