



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 Certificate of Public Convenience and Necessity
for Transmission Pipeline Integrity Plan Expenditures in 2002 and 2003

BEFORE: P. Ostergaard, Chair)
R.D. Deane, Commissioner)
K.L. Hall, Commissioner) March 28, 2002
N.F. Nicholls, Commissioner)

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On October 25, 2001, by Order No. C-15-01, the Commission approved a Certificate of Public Convenience and Necessity ("CPCN") for BC Gas Utility Ltd. ("BC Gas") for Transmission Pipeline Integrity Plan ("TPIP") expenditures for the 2001 work program and the 2002 work program except for rehabilitation costs; and
- B. The TPIP expenditures cover program management, in-line inspection ("ILI") tool runs, retrofitting of the Coastal System to permit ILI tool runs and rehabilitation work on the transmission system. The TPIP will use periodic runs of high resolution ILI tools to identify portions of the pipeline that require further investigation, and identified defects will be repaired as necessary. The program is a continuation of the pipeline assessment and rehabilitation work that BC Gas began in 1988; and
- C. The TPIP is part of the Integrity Management Program that BC Gas developed to ensure protection of the public and environment by demonstrating that all of its high pressure transmission pipelines are suitable for continued safe and reliable service. The program recognizes the aging of major components of the BC Gas system, and responds to the increased awareness and expectations of the public, regulators and BC Gas as a result of a number of pipeline ruptures across North America in the past decade; and
- D. On March 1, 2002, BC Gas filed a Report on 2001 TPIP Expenditures and Results and, on March 17, 2002, responded to an information request from Commission staff on the Report; and
- E. By letter dated March 17, 2002, BC Gas filed an application for approval of a CPCN for TPIP expenditures for rehabilitation and other programs in 2002 costing \$3.766 million and for Coastal System retrofit and ILI programs in 2002 costing \$4.636 million, for a total estimated cost of \$8.402 million (the "Application"); and
- F. On March 20, 2002, representatives of BC Gas, the Commission, and the Oil and Gas Commission met to discuss the TPIP; and
- G. The parties at the meeting generally supported the programs set out in the Application, but agreed that expenditures to inspect the 24-inch Noons Creek to Eagle Mountain segment of line in 2003 should be removed from the Application. This change reduced the total estimated cost to \$7.469 million; and

H. The Commission has reviewed the Report on 2001 TPIP Expenditures and Results and the Application, and considers that the expenditures set out in the Application, as revised, are necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The Commission issues to BC Gas a CPCN for TPIP expenditures as set out in the Application, except for expenditures related to the Noons Creek to Eagle Mountain segment, for a total estimated cost of \$7.469 million.
2. BC Gas may record an Allowance for Funds Used During Construction on those cost items that are approved as capital expenditures until such time as the capital costs are added to utility rate base. In its next revenue requirements application, BC Gas will address which TPIP costs are capital expenditures, which should be expensed annually, and whether some costs should be deferred and amortized over an appropriate period.
3. Consistent with the reporting requirements set out in Order No. C-15-01, within 60 days of the end of each calendar year, BC Gas will file a report on TPIP activities during the year. The report will cover TPIP work done and its cost, and the results of ILI tool runs including an assessment of the condition of the pipelines that were evaluated and the rehabilitation work that is indicated.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of March 2002.

BY ORDER

Original signed by:

Peter Ostergaard
Chair