



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 Lease Arrangements with the City of Vernon

BEFORE: P. Ostergaard, Chair)
R.D. Deane, Commissioner)
K.L. Hall, Commissioner) July 18, 2002
N.F. Nicholls, Commissioner)

O R D E R

WHEREAS:

- A. On June 28, BC Gas Utility Ltd. ("BC Gas") applied to the British Columbia Utilities Commission ("the Commission") for approval to enter into Lease-In-Lease-Out ("LILO") arrangements with the City of Vernon ("the City"); and
- B. The LILO Application arises out of the existing BC Gas Franchise Agreement, which has been in place since 1978 and replaces an option in the Agreement for the City to "buy-out" the existing natural gas distribution system within the municipality's boundaries in the event that the parties cannot agree on the terms of franchise renewal; and
- C. The City has held a public meeting on the issues, approved the transactions in principle, and initiated a counter-petition process required by the Local Government Act; and
- D. The Commission finds that a Regulatory Agenda for a written public hearing process is required.

NOW THEREFORE the Commission orders as follows:

1. The Commission refers the LILO Application for a written hearing process pursuant to the following Regulatory Agenda.

2. BC Gas will publish, in display-ad format, the attached Notice of Written Hearing (Appendix A), in local community newspapers in Vernon, B.C. by Friday, July 26, 2002.
3. The Application and supporting material will be made available for inspection at the Head Office of BC Gas at 1111 West Georgia Street, Vancouver, B.C., V6E 4M4, at the Okanagan Regional Library in Vernon, B.C., and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3. Copies of the City's Public Information Package are available at Vernon City Hall and on the City's website at www.city.vernon.bc.ca.
4. Persons who expect to actively participate in the proceeding should register as Intervenor with the Commission, in writing, by Friday, August 2, 2002. Intervenor will receive copies of the LILO Application and Appendices, all correspondence and filed documentation.
5. BC Gas is to distribute copies of the Application and Appendices, and any supplemental information, to Intervenor.
6. Copies of information requests about issues concerning the Application should be filed with the Commission and BC Gas by Friday, August 9, 2002.
7. BC Gas shall respond to all information requests no later than Friday, August 16, 2002.
8. Intervenor may submit written submissions on the Application to the Commission and to BC Gas by Friday, August 23, 2002.
9. BC Gas shall reply to the written submissions of Intervenor by Friday, August 30, 2002, after which time the Commission will make its determinations.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of July 2002.

BY ORDER

Original signed by:

Peter Ostergaard
Chair

Attachment



NOTICE OF WRITTEN HEARING

BC GAS UTILITY LTD. Application for Approval of Lease Arrangements with the City of Vernon

THE APPLICATION

On June 28, 2002, BC Gas Utility Ltd. ("BC Gas") applied to the British Columbia Utilities Commission ("the Commission") for approval to enter into Lease-In-Lease-Out ("LILO") arrangements with the City of Vernon ("the City").

The existing BC Gas Franchise Agreement has been in place since 1978. It provided an option for the City to "buy-out" the existing natural gas distribution system within the municipality's boundaries in the event that the parties cannot agree on the terms of the franchise renewal. Under the LILO arrangements, this purchase option is terminated.

The City would enter into a 35-year capital lease with BC Gas for the natural gas distribution system within the municipality's boundaries. Title would remain with BC Gas but the value of the City's rights in the lease would be set at \$25 million. The City would pre-pay 95 percent of this value to BC Gas as rent due under the lease; the remaining 5 percent would be paid to BC Gas over the life of the lease. After establishing the capital lease, the City would lease back the operation of the distribution system to BC Gas through a 17-year operating lease. The terms of the operating lease require BC Gas to make annual payments to the City over the 17-year term.

THE REGULATORY PROCESS

The Commission refers the LILO Application for a written hearing process pursuant to the following Regulatory Agenda.

ACTION

Filing of Intervenor Information Requests
BC Gas Responses to Information Requests
Intervenor Submissions
BC Gas Reply

DATES (2002)

Friday, August 9
Friday, August 16
Friday, August 23
Friday, August 30

Persons who expect to actively participate in the proceeding should register as Intervenor with the Commission, in writing, by Friday, August 2, 2002. Intervenor will receive copies of the LILO Application and Appendices, all correspondence and filed documentation.

Persons not expecting to actively participate should register as Interested Parties with the Commission, in writing, by Friday, August 2, 2002. Interested Parties will receive a copy of the LILO Application without Appendices, all Orders issued and the Commission's Decision on the LILO Application.

PUBLIC INSPECTION OF THE APPLICATION

The Application is available for inspection at the following locations:

BC Gas Head Office:	BC Gas Utility Ltd. 12 th Floor, 1111 West Georgia Street Vancouver, B.C. Telephone: (604) 443-6500
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Okanagan Regional Library:	Vernon Branch 3001 32 nd Avenue, Vernon, B.C.
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The LILO Application will be available to Interested Parties upon request from BC Gas at no charge and copies of the City's Public Information Package are available at City Hall and on the City's website at www.city.vernon.bc.ca.

Copies of the LILO Application and supporting material are also available for inspection at the office of the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C. V6Z 2N3.

FURTHER INFORMATION

For further information, please contact Mr. Robert J. Pellatt, Commission Secretary, or Mr. Barry McKinlay, Manager, Rates and Finance as follows:

Telephone: (604) 660-4700	E-Mail: Commission.Secretary@bcuc.com
Facsimile: (604) 660-1102	Telephone: (B.C. Toll Free) 1-800-663-1385