



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-130-06

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

**and**

**Rules for Natural Gas Energy Supply Contracts**

**BEFORE:** L.F. Kelsey, Commissioner  
L.A. Zaozirny, Commissioner October 26, 2006

**O R D E R**

**WHEREAS:**

- A. The Commission issued Rules for Energy Supply Contracts for Natural Gas in conjunction with its July 7, 1995 Review of Buy/Sell Deliveries of Natural Gas to the Core Market; and
- B. By Order No. G-101-97 dated September 30, 1997, the Commission amended the Rules for Energy Supply Contracts for Natural Gas; and
- C. By Order No. G-90-03 dated January 9, 2004, the Commission approved Rules for Gas Marketers and a Code of Conduct for Gas Marketers; and
- D. With the development of unbundled commodity supply options for commercial and residential customers, the Commission prepared draft updated Rules for Natural Gas Energy Supply Contracts ("Rules"), and by letter dated September 6, 2006 invited comments on the draft updated Rules; and
- E. The British Columbia Old Age Pensioners' Organization et al., Terasen Gas Inc., British Columbia Hydro and Power Authority, and Pacific Northern Gas Ltd. submitted written comments that were generally supportive of the Commission's draft updated Rules; and
- F. The Commission has considered the submissions it has received, and has determined that it is in the public interest that the Rules be updated.

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**NOW THEREFORE** the Commission orders that the Rules for Natural Gas Energy Supply Contracts that are set out in Appendix A to this Order, are approved effective the date of the Order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 27<sup>th</sup> day of October 2006.

BY ORDER

*Original signed by:*

L.F. Kelsey  
Commissioner

Attachment

**BRITISH COLUMBIA UTILITIES COMMISSION**

**RULES FOR NATURAL GAS ENERGY SUPPLY CONTRACTS**

The following Rules for Natural Gas Energy Supply Contracts (the “Rules”) have been developed to facilitate the review by the Commission of natural gas energy supply contracts pursuant to Section 71 of the Utilities Commission Act (the “Act”). Such a review is to ensure that the terms of the contract are in the public interest with regard to:

- the quantity of the energy to be supplied under the contract;
- the availability of supplies of the energy;
- the price and availability of any other form of energy, including but not limited to petroleum products, coal or biomass, that could be used instead of the energy;
- in the case only of an energy supply contract that is entered into by a public utility, the price of the energy; or
- any other factor that the Commission considers relevant to the public interest.

This update to the Rules follows the continuing development of an efficient gas market in British Columbia, amendments to the Act, the development of an unbundled commodity supply option for commercial customers to replace buy/sell arrangements and the expected availability of an unbundled commodity supply option for residential customers commencing November 1, 2007. In addition, Commission Order No. G-90-03 approved Rules for Gas Marketers and the Code of Conduct for Gas Marketers.

**Rules for Natural Gas Energy Supply Contracts**

- 1.0 The definition of natural gas in Section 68 includes propane and butane.
- 2.0 Under Sections 71(1)(a) and 71(1.1), all energy supply contracts for the sale of natural gas to a public utility, other than those for purchases from another public utility, and all subsequent amendments, must be filed with the Commission. Commission acceptance of the filings required by the Act and these Rules should be obtained before delivery of natural gas occurs. The public utility purchasing the natural gas has the primary responsibility for filing contracts under Section 71.
- 3.0 Section 71(1.1) provides that, if the gas purchaser is not a public utility, the energy supply contract does not need to be filed.
- 4.0 In the case of an unbundled commodity supply arrangement involving a contract for the supply of natural gas by a Gas Marketer (as defined in Section 68 of the Act) to a public utility on behalf of consumers, the supply will be included in the utility’s supply portfolio but the energy supply contract does not need to be filed provided it is a standard form of agreement that has been approved as part of the utility’s tariff. A Terasen Gas Inc. Rate Schedule 36 Service Agreement is an example of such a contract.

- 5.0 Notwithstanding Rule 2.0, public utilities who have satisfied Commission requirements for supply security and who wish to buy natural gas in the spot market will be permitted to make special arrangements with the Commission to facilitate timely gas flow followed by filing of an executed contract as soon as possible thereafter. Daily and other short-term spot gas purchases of one month or less duration may be administered by prior approval of the utility's buying procedures and criteria, to be followed by monthly reports of actual purchase volumes and costs.
- 6.0 Parties filing natural gas energy supply contracts with the Commission under Section **71**, and wishing confidentiality, shall provide written justification as to why it is in the public interest that the filed contracts be kept confidential.
- 7.0 All natural gas energy supply contracts requiring Commission acceptance shall contain confirmation that the natural gas supply is obtained from a qualified supplier who commits to provide appropriate indemnification for substitute supply; or the reserves, deliverability and delivery arrangements supporting the contract shall be confirmed by independent third party expert review.
- 8.0 Gas consumers who contract for the direct purchase of their natural gas supplies or who select the unbundled commodity supply option do so at their own risk of availability and price.
- 9.0 Gas consumers who wish to replace direct purchases and change or return to utility supply will be accommodated provided they give proper notice. Proper notice will require the customer to be on direct purchase for at least one year, and to give at least 30 days notice to be effective at the beginning of November or other normal return period. Where the customer has not given proper notice, the utility will accommodate the customer, provided that the utility can contract sufficient gas and transportation to meet the additional load and the customer assumes responsibility for any resulting incremental utility costs that are approved by the Commission.
- 10.0 Where filing of a natural gas energy supply contract is required, the Commission will issue Orders accepting for filing all natural gas energy supply contracts which meet the requirements of these Rules.
- 11.0 It is the intention of the Commission to review and accept contracts for filing expeditiously, normally without the requirement for a hearing. It is also the Commission's desire to avoid Orders that are dated after the commencement of deliveries under a contract. The hearing process pursuant to Section **71(2)** of the Act will become necessary where the Commission initially determines that the contract may not be in the public interest. A hearing could also be required as a result of a third party complaint.
- 12.0 The Commission may reconsider the duration and other terms of energy supply commitments required by these Rules as gas supply market conditions change. Any change would be prospective and it is the Commission's intent that parties honour existing contracts.
- 13.0 Submissions of natural gas energy supply contracts to the Commission will include all other related contracts which support the gas supply and any information required to support the contract. Each natural gas energy supply contract shall:
  - 13.1 provide for, in the case of baseload gas supply contracts, a minimum one year term and supply commitment and a minimum 60-day notice period for the supplier to terminate or extend the contract (and, in the case of new seasonal and peaking contracts, equivalent term and termination notice provisions);
  - 13.2 have a prudent combination of terms, conditions, and price; and

- 13.3 be consistent with the utility's current annual gas contracting plan.
- 14.0 Public utilities must submit and obtain Commission acceptance of annual gas contracting plans prior to entering into significant gas supply arrangements for each gas contract year. An annual gas contracting plan shall be consistent with the Resource Plan that the utility has filed under Section **45**(6.1), shall set out a gas supply portfolio that will reliably meet customer needs at reasonable cost, and shall provide for:
  - 14.1 sufficient supply to meet the utility's total firm requirements at the level of the current year, and a mix of one year and longer term contracts that is appropriate for the security needs of its customers, considering current market conditions;
  - 14.2 diversity of supply, including where possible a range of suppliers positioned behind alternative processing facilities, or backstopping arrangements; and
  - 14.3 diversity of pricing arrangements and other price risk management measures.
- 15.0 An annual gas contracting plan shall include a non-confidential Executive Summary of the plan.