

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



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-119-06

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

**Application by Terasen Energy Services Inc.
for Approval of a Certificate of Public Convenience and Necessity
for a Propane Gas Distribution System for Gateway Lakeview Estates
and
Approval of a Rate Tariff and General Terms and Conditions of Service and Deferral Accounts**

BEFORE: L.A. Zaozirny, Commissioner

September 20, 2006

O R D E R

WHEREAS:

- A. On September 6, 2006, Terasen Energy Services Inc. ("TES") applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") for construction of a propane gas distribution system for Gateway Lakeview Estates located at Lee Creek, British Columbia (the "Project") and for approval of a proposed Gas Tariff Rate and General Terms and Conditions of Service and approval of a revenue deficiency deferral account, a propane gas deferral account and an outsource billing and meter costs deferral account (the "Application"); and
- B. The Project is proposed to serve the new "The Falls" resort community ("Resort") located on the North Shore of Shuswap Lake at Lee Creek which is being developed by Gateway Lakeview Estates Inc. ("Gateway") and will include approximately 345 homes and 105 mobile homes on completion of Phases 1 and 2; and
- C. TES explains that there is no existing natural gas service in the area and Gateway has chosen to have an underground propane grid system and as such Resort residents will not have the option of using either oil or bottled propane for their space heating needs; and
- D. The Project consists of a single tank, 30,000 US Gallon, bulk propane storage and vaporization facility, underground gas distribution mains, gas service lines and customer meter sets with a total storage facility and distribution plant capital cost estimate of \$425,000; and
- E. TES and Gateway have entered into a "Gateway/TES propane utility agreement" and Gateway will provide both right of way to TES and a refundable capital contribution of \$188,700 plus GST to offset costs; and
- F. TES is a newly formed multi-utility wholly-owned subsidiary of Terasen Inc. which is a wholly-owned subsidiary of Kinder Morgan, Inc.; and

- G. TES operates existing propane grid systems at Sun Peaks (regulated) and Furry Creek and its affiliates Terasen Gas (Whistler) Inc. and Terasen Gas Inc. ("TGI") operate as Commission regulated propane grid systems at Whistler and Revelstoke, respectively; and
- H. TES and TGI are in the process of creating a shared service agreement between the parties to include the arrangement that the operation of the propane plant and distribution plant, and the financial accounting and administration will be contracted to TGI; and
- I. Meter reading and billing services are being negotiated with Corix Multi Utility Services, a former subsidiary of Terasen Inc. (formerly Terasen Utility Services Inc.); and
- J. TES proposes to finance the rate base with 50% debt at 6% (before tax) and 50% common equity at 15% return on rate base of 10.5%; and
- K. The Commission has determined that a written public hearing process is necessary to review the Application and requires that public notice be given to potentially affected persons to allow them to participate in the regulatory review.

NOW THEREFORE the Commission orders as follows:

- 1. TES shall publish a notice of the Application and the Commission's intention to conduct a Written Public Hearing Process, attached as Appendix A to this Order, in all local and community newspapers in the proposed general service area by Wednesday, October 4, 2006, and shall make available this Order and Appendix A at Gateway's Resort Sales Centre and will provide copies to all individuals who have purchased or are in the process of purchasing homes at the Resort;
- 2. Persons wishing to participate as Intervenors or as Interested Parties, as described in Appendix A, should register with the Commission by Wednesday, October 11, 2006, following which time the Commission will provide further details regarding the written regulatory review process.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of September 2006.

BY ORDER

Original signed by:

Lori Ann Zaozirny
Commissioner



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

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

TERASEN ENERGY SERVICES INC.
Application for Certificate of Public Convenience and Necessity
for a Propane Gas Distribution Grid System for Gateway Lakeview Estates
and
Approval of a Gas Tariff Rate and General Terms and Conditions of Service and Deferral Accounts

NOTICE OF WRITTEN PUBLIC HEARING PROCESS

The Application

On September 6, 2006, Terasen Energy Services Inc. ("TES") applied to the Commission for a Certificate of Public Convenience and Necessity for the construction and operation of a propane gas distribution grid system to serve the new "The Falls" resort community located on the North Shore of Shuswap lake at Lee Creek which is being developed by Gateway Lakeview Estates Inc. ("Gateway"). The project consists of a single tank, 30,000 US Gallon, bulk propane storage and vaporization facility, underground gas distribution mains, gas service lines and customer meter sets with a total capital cost estimate of \$425,000. TES and Gateway have entered into a "Gateway/TES propane utility agreement" and Gateway will provide both the right-of-way to TES and a refundable capital contribution of \$188,700 plus GST to offset costs.

TES also seeks Commission approval of the proposed Gas Tariff Rate and General Terms and Conditions of Service and approval of a revenue deficiency deferral account as well as a propane gas deferral account and an outsource billing and meter costs deferral account. TES proposes to finance the rate base with 50% debt at 6% (before tax) and 50% equity at a 15% return on rate base of 10.5%.

TES is a newly formed multi-utility wholly-owned subsidiary of Terasen Inc. TES plans to enter into a shared service agreement with an affiliate, Terasen Gas Inc., to operate the propane plant and distribution plant and perform financial accounting and administration services. TES may also contract with Corix Multi Utility Services, a former subsidiary of Terasen Inc., for meter reading and billing services.

The Regulatory Process

The Commission has determined that the Application should be reviewed by way of a written public hearing process which will be finalized once registrations to participate are received.

Registering to Participate

Persons who wish to actively participate in this proceeding should register as Intervenor with the Commission, in writing, by Wednesday, October 11, 2006. Requests for Participant funding should also be submitted by Tuesday, October 24, 2006. Intervenor will receive copies of the Application and all correspondence and filed documents.

Persons not expecting to actively participate, but who have an interest in the proceeding, should register as Interested Parties with the Commission, in writing, by Wednesday, October 11, 2006. Interested Parties will receive a copy of all Orders issued by the Commission.

Public Inspection of Documents

The TES Application and supporting material will be made available for inspection at the Gateway Resort Office at 2633 Squilax - Anglemont Road, Lee Creek, B.C.; the TES's office at 3700 2nd Avenue, Burnaby, B.C.; and on the Commission's website at www.bcuc.com.

All submissions and/or correspondence received from active participants or the general public relating to the Application will be placed on the public record and posted to the Commission's website.

FURTHER INFORMATION

For further information, please contact Mr. Robert J. Pellatt, Commission Secretary, by telephone (604) 660-4722 or B.C. Toll Free at 1-800-663-1385, by fax (604) 660-1102, or by E-Mail Commission.Secretary@bcuc.com.