

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-44-07

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

**and**

**An Application by Terasen Gas Inc.  
for Approval of a Certificate of Public Convenience and Necessity  
for the Mission Intermediate Pressure System Upgrade Project**

**BEFORE:** L.F. Kelsey, Commissioner  
L.A. Zaozirny, Commissioner April 19, 2007

**ORDER**

**WHEREAS:**

- A. On June 20, 2006, Terasen Gas Inc. ("TGI") applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") for a project to upgrade the Mission Intermediate Pressure System to improve its ability to withstand a seismic event (the "Application"). The intermediate pressure pipeline now on the Mission Highway Bridge would be replaced by a 2 kilometer 323 mm pipeline installed in a horizontal directionally drilled crossing of the Fraser River, the distribution system on the north side of the Fraser River would be reinforced by looping from Cedar Station to Horne Street and the Mission Regulator Station would be removed (the "Project"); and
- B. The Project was scheduled to be in service by November 1, 2007, at an estimated cost of \$8.848 million, and would increase TGI's delivery margin revenue requirements by approximately 0.1 percent; and
- C. On July 14 and 19, 2006, TGI responded to Commission Information Request No. 1; and
- D. By Letter No. L-43-06 dated July 27, 2006, the Commission suspended its review of the Application until TGI filed a report on the results of its Construction Feasibility assessment and updated its cost estimate for the Project; and
- E. On November 30, 2006, TGI responded to Commission Information Request No. 2; and
- F. Also on November 30, 2006, TGI filed a Feasibility Assessment Report (the "Report") for the Project and, on a confidential basis, Appendix F to the Report regarding land and right-of-way issues; and
- G. In response to Commission Information Request No. 12.1, TGI stated that it constructed the Cedar to Horne distribution system loop in the summer of 2006 at a cost of \$0.305 million. As a result, the Application effectively no longer includes the distribution loop, and the estimated cost is \$8.543 million; and

- H. The Report stated that TGI has been in contact with stakeholders, and would continue an active dialogue to consider ways to mitigate the impact of the proposed river crossing; and
- I. The Report concluded that horizontal directional drilling at the location of Alignment Option A is feasible and can be managed within the cost estimate in the Application, and TGI recommended proceeding with the Project using Alignment Option A; and
- K. On December 15, 2006, TGI responded to a Commission Supplemental Information Request, and clarified that the preferred route option of British Columbia Transmission Corporation for its Mission Matsqui Transmission Reinforcement Project does not correspond with Alignment Option A. Nevertheless, TGI submitted that Alignment Option A is the most suitable alternative, as it poses less risk from construction, project management, environmental and safety perspectives, and provides the best opportunity to manage costs within the budget in the Application; and
- L. By Letter No. L-83-06 dated December 22, 2006, the Commission established a timetable for parties to file written submissions on the Application, and by letters dated January 29, March 1 and March 12, 2007 extended the timetable; and
- M. By letter dated January 9, 2007, the District of Mission submitted comments opposing the Application to move the gas pipeline from the Mission Highway Bridge; and
- N. By letter dated January 26, 2007, counsel for Bridgewater Properties Inc. and Surjut Kaul Braich, owners of property that would be affected by a directionally drilled crossing, submitted comments opposing the Application; and
- O. By letter dated February 23, 2007, TGI submitted comments on the Project, and offered to withdraw the Application subject to Commission approval for the recovery from customers of its project development costs incurred to date. By Letter No. L-15-07 dated March 1, 2007, the Commission denied this request; and
- P. In its Reply Submission dated March 23, 2007, TGI submitted an alternative scope of work for the Project to address seismic concerns discussed in the Application, as an amendment to the Application. The revised scope of work did not include a new directionally drilled river crossing, and had an estimated cost of \$6.714 million; and
- Q. The Commission has considered the Application and the other evidence and submissions, and has made a determination on the matter, for the Reasons for Decision that are Appendix A to this Order.

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**NOW THEREFORE** pursuant to Sections 45 and 46 of the Utilities Commission Act, the Commission orders as follows:

1. The Commission denies the amendment of the Project and Application as set out in TGI's March 23, 2007 letter.
2. The Commission denies the Application for a CPCN to upgrade the Mission Intermediate Pressure System by replacing the gas pipeline on the Mission Highway Bridge with a horizontal directionally drilled crossing of the Fraser River.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 23<sup>rd</sup> day of April 2007.

**BY ORDER**

*Original signed by*

L.F. Kelsey  
Commissioner

Attachment

An Application by Terasen Gas Inc.  
for Approval of a Certificate of Public Convenience and Necessity  
for the Mission Intermediate Pressure System Upgrade Project

**REASONS FOR DECISION**

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**INTRODUCTION**

The Application of Terasen Gas Inc. (“TGI”) dated June 20, 2006 (the “Application”) for a Certificate of Public Convenience and Necessity (“CPCN”) for the Mission Intermediate Pressure System Upgrade Project related primarily to replacing the gas pipeline on the Mission Highway Bridge with a horizontal directionally drilled crossing of the Fraser River (the “Project”). The Application, the regulatory process to review it and the submissions that the Commission received on the matter are outlined in the Order that accompanies these Reasons for Decision.

**ANALYSIS**

Amendment of Application

In the Application, responses to Information Requests and subsequently, TGI supported a new directionally drilled crossing of the Fraser River as the preferable way to improve the ability of the Mission Intermediate Pressure System to safely and reliably withstand a seismic event. This is due to the risk of failure of the Mission Highway Bridge in the event of a seismic event, as the Ministry of Transportation does not plan to upgrade the bridge until 2013.

However, in response to opposition from the District of Mission and a major landowner, in its February 23, 2007 letter TGI proposed to deal with safety concerns by installing an isolation valve that could separate the gas system in Mission from the rest of the TGI system in the event of damage to the Intermediate Pressure System, and to withdraw the Application for a CPCN for the Project.

In its Reply Submission dated March 23, 2007, TGI subsequently proposed to amend the Application by outlining an alternative scope of work to address the seismic withstand capability of the Intermediate Pressure System, which it identified as “Plan B”. Plan B included the isolation valve, several upgrades to the Intermediate Pressure System, upgrades to the distribution system, a new Muster Station in Mission and minor upgrades to the pipeline on the bridge when the latter is upgraded in 2013. The letter contained only minimal information about the components of Plan B, the cost estimates for this work and the benefits in terms of seismic withstand capability that would result.

The Commission believes that the Reply Submission is not the appropriate stage to attempt to radically revise the scope of the project that is being reviewed in the CPCN Application proceeding. In particular, the review process would need to be extended in order to develop a reasonable understanding of the project as it is being proposed with the revised scope, and to obtain the views of stakeholders on it. At this late date in the review process, the Commission concludes that it would be more efficient to deal with the Project and Application as they were proposed by TGI until it filed the February 23, 2007 letter. **Therefore, the Commission denies the amendment of the Project and Application as set out in TGI's March 23, 2007 letter.**

#### CPCN Application

While TGI would prefer to install a new directionally drilled crossing of the Fraser River, the letters dated February 23 and March 23, 2007 make it clear that the safety issue can be dealt with by the installation of an isolation valve. This work is something that TGI can readily do as part of its Base Capital Expenditure budget.

Similarly, in response to opposition to the proposed directionally drilled crossing of the Fraser River, TGI now proposes to continue to rely on the existing pipeline on the bridge, possibly with some upgrading of the Intermediate Pressure System at the bridge approaches and other locations.

In its January 9, 2007 submission the District of Mission states:

“The proposal (for a new river crossing) is premature, and should be done concurrently with the intended seismic upgrading of the Mission bridge.”

“While we appreciate the concern of seismic activity that would affect the gas main that currently exists on the Mission bridge, we also know that if the kind of catastrophic event that Terasen is concerned about does occur, a very substantial portion of the supply lines throughout the community would also be broken. We consider waiting another 5 years for the bridge upgrade is a minimal risk, worth taking.”

Based on the positions of TGI and the District of Mission that the risk to reliability of continuing to rely on the pipeline on the bridge does not outweigh concerns about the proposed directionally drilled crossing, the Commission concludes that the upgrading work proposed in the Application would not be in the public interest. **The Commission denies the Application for a CPCN to upgrade the Mission Intermediate Pressure System by replacing the gas pipeline on the Mission Highway Bridge with a horizontally directionally drilled crossing of the Fraser River.**