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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-59-07

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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 (Vancouver Island) Inc.
for Approval to Retain the Texada Island Compressor Station**

BEFORE: L.F. Kelsey, Commissioner May 31, 2007

O R D E R

WHEREAS:

- A. Terasen Gas (Vancouver Island) Inc. ("TGVI") constructed the Texada Island Compressor Station (the "Station") for short-term operation at a cost of \$13.39 million pursuant to Commission Order No. C-6-01; and
- B. The Station was constructed to provide service to British Columbia Hydro and Power Authority ("BC Hydro") under the terms of a Transportation Service Agreement ("TSA"), and pursuant to the terms of a Compressor Facility Agreement ("CFA") with BC Hydro; and
- C. Under the terms of the CFA, BC Hydro made a capital contribution equal to the cost of the Station, and TGVI holds the right to retain the Station upon expiry of the CFA, and upon making a payment to BC Hydro based on the depreciated value of the facility; and
- D. The Special Direction to the Commission made under Order in Council 1510/95 requires that the Commission determine the allowable capital additions to be made by TGVI, and Order No. C-6-01 requires TGVI to obtain prior Commission approval if it wishes to retain the Station; and
- E. The CFA and TSA have been extended several times and currently expire on December 31, 2007, although BC Hydro may elect to extend the agreements to December 31, 2008; and
- F. By Application dated May 15, 2007 (the "Application"), TGVI requested Commission approval to retain the Station effective December 31, 2007, or December 31, 2008 if BC Hydro elects to extend the TSA; and

- G. The retention amount (the “Retention Amount”) payable by TGVI to BC Hydro is estimated to be \$10.4 million if the retention is effective at the end of 2007, and \$9.9 million if the retention is effective at the end of 2008; and
- H. TGVI requires the Station to meet its firm load, excluding the BC Hydro load, for the winter of 2008/09; and
- I. Alternatives to retention of the Station are a new compressor station or pipeline looping, either of which would have a substantially higher cost; and
- J. Retention of the Station effective December 31, 2007 will increase TGVI’s revenue requirement by approximately \$714,000 in 2008; and
- K. The Station requires upgrading for permanent operation at a cost of approximately \$2.9 million. TGVI is proceeding with this work as part of its system integrity and reliability expenditures, as included in its 2006 Settlement Update filing and approved by Order No. G-161-06; and
- L. The Commission has considered the Application and has determined that the retention by TGVI of the Station is in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves the retention by TGVI of the Station consistent with the terms of the CFA, effective December 31, 2007, or effective December 31, 2008 in the event that the term of the BC Hydro TSA is extended to December 31, 2008.

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2. The Commission approves the inclusion in the TGVI rate base of the Retention Amount payable by TGVI to BC Hydro under the terms of the CFA, in an amount consistent with the effective date of the retention of the Station by TGVI.
3. Within 30 days after the effective date of the retention of the Station by TGVI, TGVI will provide the Commission with a report that outlines the calculation of the Retention Amount and the rate base treatment of this amount, and provides an update on expenditures to make the Station a permanent facility.

DATED at the City of Vancouver, in the Province of British Columbia, this 1st day of June 2007.

BY ORDER

Original signed by

L.F. Kelsey
Commissioner