

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-63-07

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

An Application by Terasen Gas (Vancouver Island) Inc.
for a Certificate of Public Convenience and Necessity
for the Mt. Hayes Liquefied Natural Gas Storage Project
and Approval of a Storage and Delivery Services Agreement

and

An Application by Terasen Gas Inc.
for Approval of a Storage and Delivery Services Agreement

BEFORE:

R.H. Hobbs, Chair
A.J. Pullman, Commissioner
R.J. Milbourne, Commissioner

June 8, 2007

O R D E R

WHEREAS:

- A. By a Decision and Order No. C-2-05 dated February 15, 2005, the Commission granted Terasen Gas (Vancouver Island) Inc. ("TGVI") a Certificate of Public Convenience and Necessity ("CPCN") for a liquefied natural gas ("LNG") storage facility at Mt. Hayes on Vancouver Island, subject to several conditions that included the execution of a firm long-term transportation service agreement with British Columbia Hydro and Power Authority; and
- B. As no firm long-term transportation agreement was executed and construction of the LNG project did not commence by December 31, 2005, the CPCN granted by Order No. C-2-05 terminated; and
- C. On June 5, 2007, TGVI filed with the Commission another application for a CPCN to construct and operate a LNG Storage Facility at Mt. Hayes in the Cowichan Valley Regional District in the vicinity of Ladysmith and the facilities required for the connection of the LNG Storage Facility to TGVI's gas transmission system (the "TGVI Application"); and
- D. In the TGVI Application, TGVI also requests Commission approval for a 50 basis point premium in its return on equity for the rate base associated with the LNG storage facility, a deferred schedule for the depreciation of the LNG Storage Facility and the recovery of pre-construction development costs associated with the project, and approval to enter into a Storage and Delivery Services Agreement; and

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- E. On June 5, 2007, Terasen Gas Inc. (“TGI”) filed with the Commission an application for approval to enter into a Storage and Delivery Services Agreement with TGVI (the “TGI Application”); and
- F. In the Applications, TGI and TGVI propose the appropriate review of the Applications be in a written public proceeding; and
- G. The Commission considers that, before a Regulatory Timetable is established for the regulatory review of the TGVI Application and the TGI Application, it should establish a written process to obtain comments on issues and procedural matters, including timing and steps in the review process.

NOW THEREFORE the Commission orders as follows:

1. Intervenor submissions to the Commission on the process for the regulatory review of the TGVI Application and the TGI Application may be filed by Monday, June 25, 2007 to address procedural matters which will include, but may not be limited to, the following:
 - identification of the principal issues arising from or related to the TGVI Application and the TGI Application;
 - whether the review process should be written, oral or take some other form;
 - if an oral hearing is established, locations and dates for the hearing;
 - steps and timetable associated with the review process, including information requests and responses, intervenor evidence, argument, etc.; and
 - other matters that will assist the Commission to efficiently review the Applications.
2. TGVI and TGI will file reply submissions on the review process by Friday, June 29, 2007.
3. After reviewing the submissions, the Commission will issue a further procedural Order and Regulatory Timetable.
4. TGVI will publish, as soon as possible, in display-ad format, the Notice of Applications and Written Process on Procedure, attached as Appendix A, in the Victoria Times Colonist, the Vancouver Sun and Province and such appropriate local news publications as may properly provide adequate notice to the public in the vicinity of Ladysmith.
5. The TGVI Application and the TGI Application, together with any supporting materials, will be made available for inspection at TGVI offices in Nanaimo and Victoria, at the TGI Surrey Office, and at the Commission’s office.

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6. TGVI is to provide a copy of this Order, by facsimile or electronically if possible, to all Intervenor and Interested Parties registered in its 2003/05 Revenue Requirements, 2003 Rate Design and 2004 Resource Plan and Mt. Hayes CPCN proceedings, as soon as possible.
7. Intervenor and Interested Parties should register with the Commission, in writing, by Wednesday, June 27, 2007. Intervenor should specifically state the nature of their interest in TGVI Application and the TGI Application and identify generally the nature of the issues that they may intend to pursue during the proceeding and the nature and extent of their anticipated involvement in the proceeding.
8. The Commission will submit Information Requests to TGVI and TGI by Friday, June 29, 2007 and Intervenor will submit Information Requests by Friday, July 6, 2007. TGVI and TGI respond to the Information Requests by Monday, July 23, 2007.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of June 2007.

BY ORDER

Original signed by:

Robert H. Hobbs
Chair

Attachment



**Terasen Gas (Vancouver Island) Inc.
Terasen Gas Inc.
Application for a Certificate of Public Convenience and Necessity
For Liquefied Natural Gas Storage Project**

**NOTICE OF APPLICATIONS
AND
WRITTEN PROCESS ON PROCEDURE**

THE APPLICATIONS

Terasen Gas (Vancouver Island) Inc. ("TGVI") applied to the Commission on June 5, 2007 for a Certificate of Public Convenience and Necessity for a Liquefied Natural Gas ("LNG") Storage Facility ("TGVI Application"). The project consists of a LNG storage facility at Mt. Hayes, approximately six kilometres northwest of Ladysmith, two pipelines to connect the storage facility to the TGVI gas transmission system, and related facilities. The LNG storage facility would have a useable capacity of 1.5 billion standard cubic feet of gas and could provide approximately 150 million standard cubic feet per day of natural gas to the TGVI system. The estimated cost of the project is \$179.5 million and it is proposed to be in service by April 1, 2011.

The TGVI Application also requests approval for an enhanced return on equity and a deferred depreciation schedule for the LNG storage facility, the recovery of development costs, and approval to enter into a Storage and Delivery Services Agreement with Terasen Gas Inc. Also in the filing dated June 5, 2007, Terasen Gas Inc. requests Commission approval to enter into the Storage and Delivery Services Agreement with TGVI (the "TGI Application").

THE REGULATORY PROCESS

By Order No. G-63-07 the Commission established a written process to obtain comments on issues and procedural matters, including the timing and steps for the regulatory review of the TGVI and TGI Applications. Intervenor may file written submissions on the regulatory review process by Monday, June 25, 2007 and TGVI and TGI may respond by Friday, June 29, 2007.

Following its review of these submissions, the Commission will issue to registered parties a further procedural Order and Regulatory Timetable.

The Commission will submit Information Requests to TGVI and TGI by Friday, June 29, 2007 and Intervenor will submit Information Requests by Friday, July 6, 2007. TGVI and TGI will respond to the Information Requests by Monday, July 23, 2007.

PUBLIC INSPECTION OF THE DOCUMENTS

The TGVI Application and the TGI Application and supporting material will be made available for inspection at the Nanaimo and Victoria offices of TGVI, the Terasen Gas Inc. Surrey Office at 16705 Fraser Highway, Surrey, B.C., V4N 0E8, and the British Columbia Utilities Commission office, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.

The Applications are available for viewing on TGVI's website at www.terasengas.com.

INTERVENTIONS

Persons who expect to actively participate in the proceeding should register as Intervenor with the Commission, in writing, by Wednesday, June 27, 2007, identifying their interest in the Applications. Intervenor should identify the issues that they intend to pursue and the nature and extent of their anticipated involvement in the review process. Intervenor will receive copies of the Applications and all correspondence and filed documentation and should provide an e-mail address if available.

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, June 27, 2007, identifying their interest in the Applications. Interested Parties will receive a copy of the Application sections of the filing and all Orders and Decisions issued.

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

FURTHER INFORMATION

For further information, please contact Mr. Robert J. Pellatt, Commission Secretary, as follows:

Telephone: (604) 660-4700
Facsimile: (604) 660-1102

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