

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-145-08**

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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 of a Deferral Account for Currency Exchange Rate Differences
for the Mt. Hayes LNG Storage Facility Project

BEFORE: A.A. Rhodes, Commissioner
 P.E. Vivian, Commissioner

September 25, 2008

O R D E R

WHEREAS:

- A. On June 5, 2007 Terasen Gas (Vancouver Island) Inc. ("TGVI") filed with the B.C. Utilities Commission ("Commission") an Application for a Certificate of Public Convenience and Necessity ("CPCN") to construct and operate a LNG Storage Facility at Mt. Hayes in the Cowichan Valley Regional District in the vicinity of Ladysmith (the "LNG Storage Facility"), and the facilities required for the connection of the LNG Storage Facility to TGVI's gas transmission system (collectively, the "Project"); and
- B. On November 15, 2007, the Commission granted a CPCN for the Project by Order No. C-9-07 (the "Order") subject to a number of conditions, including that TGVI file a report (the "Report") by March 31, 2008 with the certain information regarding the Engineering, Procurement and Construction ("EPC") contract and updated cost estimates. The Commission also directed TGVI to file Quarterly Progress Reports within 30 days of the end of each reporting period during the Project execution; and
- C. On February 18, 2008, TGVI filed a letter with the Commission providing information regarding TGVI's intent to file the Report on or before Wednesday, March 19, 2008; and
- D. On February 27, 2008, TGVI filed a letter with the Commission that requested the Report be kept confidential and be provided only to the Commission and to authorized representatives of Intervenor that had executed the form of undertaking (Schedule A) to keep the information confidential in accordance with the Practice Directive of the Commission related to Confidential Filings; and

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- E. On March 29, 2008, TGVI filed the Report in which TGVI stated that the EPC contract price included foreign currency exchange rate risk due to rate fluctuations, and that it intended to mitigate the risk through a foreign currency forward contract. TGVI also stated that it intended to seek approval from the Commission to establish a balance sheet deferral account to allow it to avoid flowing mark-to-market adjustments on the hedges through Other Comprehensive Income/Earnings during Project execution; and
- F. On August 28, 2008 TGVI applied for approval of a deferral account to record currency exchange rate differences for the Project (the "Application"), and on September 22, 2008 responded to questions regarding the Application; and
- G. The Commission has reviewed the Application and finds its approval to be in the public interest.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission approves the Application of TGVI for a non-interest bearing, non-rate base balance sheet deferral account to record the mark-to-market adjustments due to fluctuations in the rates on the foreign currency exchange forward portion of the Design-Build Contract for the Project.
- 2. TGVI is directed to file the deferral account transactions as a confidential appendix to be included in the Quarterly Progress Reports.
- 3. The Commission will hold the Application and related material filed by TGVI confidential.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of September 2008.

BY ORDER

Original signed by

A.A. Rhodes
Commissioner