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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-1-11**

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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 a Certificate of Public Convenience and Necessity
for the Victoria Regional Operations Centre**

BEFORE: M.R. Harle, Commissioner
A.W.K Anderson, Commissioner January 24, 2011
N.E. MacMurchy, Commissioner

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On October 13, 2010, Terasen Gas (Vancouver Island) Inc. (TGVI) submitted an application (Application) to the British Columbia Utilities Commission (Commission), pursuant to sections 45 and 46 of the *Utilities Commission Act* (the Act), for a Certificate of Public Convenience and Necessity (CPCN) to acquire the property known as Langford Parkway that consists of approximately 3.6 acres of freehold land located at 1017 – 1027 Langford Parkway, Langford, BC (Langford Property) and construct a new regional facility on the site to be acquired (Regional Facility);
- B. The lease for the existing regional facility, located at 320 Garbally Road, Victoria, BC, expires on October 31, 2012;
- C. TGVI considered five alternatives in the Application and determined that the purchase of the Langford Property and the construction of the Regional Facility, with a total capital cost of \$13.2 million plus \$1.1 million of Allowance for Funds Used During Construction, is the preferred solution;
- D. On June 15, 2010, TGVI entered into a conditional contract to acquire the Langford Property that is subject to Commission approval being obtained by December 31, 2010. TGVI can extend the deadline by 30 days;
- E. The date for Commission approval was subsequently extended to January 21, 2011;
- F. By Order G-162-10 dated October 27, 2010, the Commission established a written public hearing process and Regulatory Timetable to examine the Application;

- G. Submissions under the Regulatory Timetable were completed with TGVl filing its Reply Submission on December 23, 2010;
- H. The Commission Panel has considered the Application, the evidence and the submissions filed in the Written Public Hearing and has determined, for the reasons set out in the Reasons for Decision that are attached as Appendix A to this Order, that a CPCN with conditions should be granted for that part of the Application that relates to the purchase of the Langford Property and that a decision on the granting of a CPCN for that part of the Application that relates to the construction of the Regional Facility should be deferred until TGVl provides more information in support of the Regional Facility that it proposes to construct.

NOW THEREFORE pursuant to sections 45 and 46 of the Act the Commission orders as follows:

1. A Certificate of Public Convenience and Necessity is granted to Terasen Gas (Vancouver Island) Inc. for the Langford Property Purchase subject to the conditions set out in paragraphs 2-5 of this Order.
2. TGVl agrees to use reasonable efforts to resell in a timely way such portion of the Langford Property that is not required for public utility purposes.
3. TGVl will use all of the revenue from the resale less expenses to reduce the cost of the Langford Property that included in TGVl's rate base.
4. The cost of the Langford Property shall be captured in a non-rate base deferral account at the purchase closing date. The cost of the portion of the property required for the Regional Facility shall attract allowance for funds used during construction (AFUDC) until being added to rate base in the appropriate land account on completion of the Regional Facility, while the cost of the remainder of the property will attract interest at the average interest rate that TGVl pays.
5. TGVl is to file a written confirmation of its acceptance of conditions (2), (3) and (4) prior to exercising the Offer to Purchase, failing which the Application is refused.
6. The decision to grant a Certificate of Public Convenience and Necessity for the construction of the Regional Facility is deferred. The Commission directs TGVl to file a report by February 28, 2011 that provides sufficient analysis and justification to support for the Commission Panel to assess the appropriateness of:
 - a) The expected staffing levels for distribution, transmission, business and information technology, marketing, and alternative energy services.
 - b) The expected numbers of required service vehicles for such staffing levels.
 - c) Based on the foregoing, the amount of office, workshop, and warehouse space required for the Regional Facility, including the numbers and types of parking spaces.

- d) Based on the foregoing, the total and useable square footage of land required to the new Regional Facility.
- e) The proposed impact on service quality, safety, and efficiency of the new Regional Facility in comparison to other TGI and TGV regional offices. This assessment should be supported by factual analysis using criteria such as emergency response times, time to respond to service calls, time to install services for new customers, and average and maximum trip kilometres.
- f) An analysis of the impact of consolidating TGV's transmission function and staff in Nanaimo.

DATED at the City of Vancouver, In the Province of British Columbia, this 24th day of January 2011.

BY ORDER

Original signed by:

M.R. Harle
Commissioner

Attachment



IN THE MATTER OF

TERASEN GAS (VANCOUVER ISLAND) INC. CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE VICTORIA REGIONAL OPERATIONS CENTRE

REASONS FOR DECISION

January 24, 2011

BEFORE:

M.R. Harle, Panel Chair / Commissioner
A.W.K. Anderson, Commissioner
N.E. MacMurchy, Commissioner

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1.0 INTRODUCTION

By application dated October 13, 2010 filed pursuant to sections 45 and 46 of the *Utilities Commission Act (Act)*, Terasen Gas Vancouver Island Inc. (TGVl) applies for a Certificate of Public Convenience and Necessity (CPCN) to purchase land in Langford, BC and to construct a new regional operations facility (Regional Facility) on the site (Application). The Regional Facility will replace the current Victoria regional facility on Garbally Road (Garbally Facility), and a small existing muster station in Langford.

The current lease for the Garbally Facility will expire on October 31, 2012, and TGVl wishes to move into the new facility in October 2012. The project is estimated to cost \$14.3 million, inclusive of \$1.1 million of Allowance for Funds Used During Construction. Commission Order G-162-10 established a written public hearing and Regulatory Timetable to examine the Application. Submissions in the proceeding were completed when TGVl filed its Reply Submission on December 23, 2010.

The British Columbia Old Age Pensioners Organization et al (BCOAPO) and the Commercial Energy Consumers Association of British Columbia (CEC) intervened in the proceeding. BCOAPO supports approval of the Application, subject to three caveats that relate to project cost, the long term usefulness, and potential disposal of the facility. CEC supports approval of the Application and asks that the Commission Panel direct TGVl to address the efficiency of TGVl operations in its next revenue requirements proceeding.

The Commission Panel is persuaded that the concept of a utility-owned Regional Facility has merit, and that the proposed location in Langford is suitable. However, the facility must be sized and designed to cost-effectively meet TGVl's needs in the Victoria area for at least 20 years. After reviewing the number of staff and the number of service vehicles at other TGVl and Terasen Gas Inc. (TGI) regional facilities, the Commission Panel concludes that more analysis is required before making a decision on the Regional Facility. Therefore, the Commission Panel grants TGVl a CPCN with conditions to purchase the property in Langford. The Commission Panel finds, however, that there is not sufficient information and analysis provided by TGVl to justify the sizing of the Regional Facility proposed. TGVl is directed to file a comprehensive analysis that justifies the number of staff and service vehicles to be accommodated at the Regional Facility.

1.1 Confidential Information

TGVI requested that Appendices A, G, K, and R of the Application be held confidential because they contain commercially sensitive information about the land purchase and the construction of the facility. Rather than limit the issue of confidentiality to those Appendices and Information Requests and Responses relating thereto, the process unfolded in such a way that all the Information Responses by TGVI were filed on a confidential basis, whether or not an Information Request required a confidential response.

Given the restricted nature of TGVI's original request for confidentiality, the Commission Panel believes that the extent of confidentiality claimed in this proceeding may have been an unintended consequence of participants and the Commission attempting to meet the time constraints imposed by December 31, 2010, the original date requested for approval of the CPCN. Due to constraints of time and confidentiality, the Commission Panel has referred to information in the confidential Information Request responses, but has not included confidential information in the Decision.

1.2 Jurisdiction

The Commission Panel considers that cost-effectiveness is one of a number of factors it can consider in deciding whether to issue or refuse a CPCN. Also, under section 46(3.1) of the *Utilities Commission Act* the Commission Panel is required to consider the following matters when deciding whether to issue a CPCN:

- a) the government's energy objectives
- b) the most recent long-term resource plan filed by the public utility under section 44.1, if any,

No submissions on these matters were received from TGVI or the Interveners, nor on what constitutes public convenience and necessity. In reviewing the Application the Commission Panel, therefore, is particularly concerned with the Application satisfying tests for cost-effectiveness and for meeting the government's energy objectives. These have been carefully considered in arriving at our determinations.

2.0 NEED FOR A NEW REGIONAL FACILITY AND ALTERNATIVES CONSIDERED

The new Regional Facility will replace the Garbally Facility as the regional operations centre for Victoria. TGVl considered its options to serve customers in the Victoria area, and selected a utility-owned facility as the best option. The Commission Panel determines that it is appropriate for TGVl to purchase land and construct the Regional Facility, providing the facility constructed is fully suitable and cost-effectively meets the utility's needs for at least 20 years.

2.1 Existing Facility

The Garbally Facility is the regional operations centre for Victoria and the surrounding area and its lease at 320 Garbally Road, Victoria, BC will expire on October 31, 2012 (Exhibit B-1, pp. 1, 9). The site is zoned light industrial and contains a 147,216 square foot yard and a 26,090 square foot building. The building consists of a two storey office wing connected to a double height volume warehouse wing. The regional operations centre contains administrative and planning support functions, regional marketing personnel for community relations, business development and energy solutions functions. It also serves as the muster point for field construction and maintenance and customer service crews. In addition, the Garbally Facility has a welding shop area, pipeline and measurements control with a shop area and material storage (Exhibit B-1, p. 9).

There are two issues with the current regional operations centre:

- (1) the current space is no longer suitable (current space is approximately 20 percent larger than necessary due to the building's inefficient layout)
- (2) the lease does not contain fixed lease rates for its two five year renewal periods and there is uncertainty regarding TGVl's ability to negotiate and reach agreement for future lease extensions (Exhibit B-1, pp. 11-12)

2.2 Operational Requirements for the New Victoria Regional Facility

As result of the lease for the Garbally Facility expiring, TGVl and Terasen Gas Inc. (TGI) developed a long term space strategy for the new Regional Facility with the following objectives:

- Building a space to meet current and future space requirements
- Having regional facilities in the service areas of the Terasen Utilities
- Situating regional facilities in suitable areas
- Meeting Leadership in Energy and Environmental Design (LEED) standards of the Canadian Green Building Council (Exhibit B-1, pp. 10-11)

2.3 Alternatives Considered

The Application considered the following five alternatives:

- Alternative 1: Extend the existing lease for an additional 10 years, and negotiate for another renewal option to allow for a further 10 years for a total of a 20 year lease period with no changes to current facilities;
- Alternative 2: Negotiate a new lease for a reduced facility footprint by approximately 4,459 square feet of warehouse and 6,663 square feet of yard space on the West side. Renovations to office, warehouse, and yard would be required;
- Alternative 3: Negotiate a new lease for a reduced facility footprint on the East side and accommodate both office and warehouse functions in one building that was designed to be single purpose. Renovations to office, warehouse, and yard would be required;
- Alternative 4: Lease of a facility with suitable warehouse and office space; or
- Alternative 5: Purchase land and build suitable warehouse and office space (Exhibit B-1, pp. 16-23)

2.4 Analysis of Alternatives Over 10, 20 and 50 Years

Due to the lack of appropriately sized industrially zoned property in the area specified, TGVl concluded that Alternative 4 was not feasible and excluded it in further evaluations (Exhibit B-1, p. 22). Alternatives 1, 2, 3 and 5 were analyzed using timeframes of 10 and 20 years. Alternatives 3 and 5 were also analyzed over a period of 50 years. Over 20 years, Alternative 5 has the lowest present value of revenue requirement, but it is only slightly lower than Alternative 3 (Exhibit B-2, BCOAPO IR 1.5.1).

Table 4-4: Present Value of Revenue Requirement, Rate Impact and Cash Flow				
	20 Year Time Frame			
	Alternatives (\$000's)			
	1	2	3	5
Present Value of Revenue Requirement	18,454.50	19,765.20	18,268.70	18,089.40
Levelized Rate Impact - \$ / GJ	0.046	0.05	0.046	0.045
NPV of Discounted Cash Flow	-\$32.7	\$165.3	\$45.4	\$118.2

(Exhibit B-1, p. 24)

When the alternatives are analyzed over a 10 year timeframe, Alternative 3 has the lowest, and Alternative 1 the second lowest, present value of revenue requirement (Exhibit B-4, BCUC IR 1.20.2).

For Alternatives 3 and 5, TGVl also provided schedules showing the nominal revenue requirement, the present value of the revenue requirement, and nominal annual rates for a 50 year period. Over a 50 year timeframe, Alternative 5 has a present value of revenue requirement that is substantially less the present value of revenue requirement of Alternative 3 (Exhibit B-3, CEC IR 1.1.3, Attachment 1.3).

TGVl states that the site and building are being chosen to provide a long term solution to TGVl's operational needs in the region; therefore the 10 year timeframe over which to evaluate the project is deemed inappropriate. If a sensitivity analysis is warranted, TGVl considers 50 years the suitable timeframe. Given the 20 year period for the lease alternatives, TGVl considers 20 years the appropriate timeframe for comparing all of the alternatives (TGVl Final Submission, p. 10).

TGVl expects to be serving natural gas customers in the Victoria area for the long term, and the comparison of alternatives indicates that the cost to ratepayers of all the alternatives considered will be substantially the same over the next 20 years. Over a shorter period like 10 years, the leased options are likely to be less costly. Over the very long period of the next 50 years, Alternative 5, the utility-owned alternative is expected to be less expensive. Based on the foregoing analysis of the cost to ratepayers of the alternatives, the Commission Panel accepts TGVl's evidence and concludes that it is suitable for TGVl to purchase land and construct the Regional

Facility, provided the facility is appropriately located, sized, and designed so that it cost-effectively meets the needs of TGVl and its customers for at least 20 years.

2.5 Preferred Alternative

TGVl has proposed Alternative 5: Purchase land and build a suitable warehouse and office space as the preferred alternative. The Commission Panel supports this alternative because:

- the twenty year time frame is the most appropriate timeframe for comparing all of the alternatives;
- the twenty year time frame is a reasonable period for consideration of such an asset for meeting operational needs in the region;
- Alternative 5 has the lowest present value of revenue requirement over 20 years and is considerably lower than Alternative 3 over 50 years; and
- the levelized rate impact of all alternatives, including Alternative 5, is substantially the same over 20 years.

3.0 PROPOSED REGIONAL FACILITY IN LANGFORD

TGVl proposes to build the new Regional facility in Langford, which is a short distance to the west of Victoria. The Commission Panel is persuaded that the location is suitable, and finds no fault with the design and cost estimate for the facility based on the number of staff and service vehicles that TGVl assumes in the Application that it will need to accommodate there. However, the Commission Panel is concerned that the evidence filed does not provide sufficient justification for the level of staff and service vehicles TGVl requires. Normally the issue of staff and resource requirements would be addressed in a revenue requirement proceeding. However, if TGVl builds the facility as applied for, and it is subsequently found in another proceeding, or TGVl determines, that the staff and resource levels proposed in the Application are excessive, then TGVl ratepayers would have to pay for a facility that is more expensive than is warranted by the staff and resource needs of TGVl.

TGVl intends to accommodate two more staff at the new Regional Facility than are currently at the Garbally Facility and the small muster in Langford. The number of service vehicles at the new facility will be the same as currently are at the two facilities (Exhibit B-4, BCUC IR 1.3).

3.1. Langford Property

TGVI requests Commission approval to purchase the property known as Langford Parkway which consists of 156,673 square feet in two lots at 1017 – 1027 Langford Parkway in Langford, BC (Langford Property) (Exhibit B-1, p. 27). Terasen has requested that the vendor complete a lot line adjustment of the two lots totalling 167,012 square feet into one lot of 156,673 square feet. If the lot line adjustment does not work out as intended, TGVI may be required to purchase both lots, which would add \$346,647 to the purchase price. (Exhibit B-1, p. 35) TGVI has an accepted Offer to Purchase the property at a firm price that it must exercise in January 2011, and has requested an early decision from the Commission in order to complete the required paperwork (Exhibit B-4, BCUC IR 37.1). TGVI engaged CB Richard Ellis to provide an Opinion of Value for the Langford Property. The accepted offer for the property is below the identified range (Exhibit B-1, p. 37).

The Langford Property is located off of Jacklin Road and is in close proximity to Highway No. 1. TGVI confirmed that the property has no safety concerns for personnel, and permits convenient and safe fleet access. In its due diligence, TGVI confirmed that the property is satisfactory with regard to soil, geotechnical, environmental, and flood level considerations. Light industrial zoning is required and TGVI is satisfied that the site may be used for the purpose intended, with respect to permitted encumbrances, city code, building, and by law requirements. (Exhibit B-1, pp. 28-9, 34, 36)

While the existing Langford muster will be consolidated into the Regional Facility, TGVI anticipates that a new muster for customer service staff may be required in the future closer to the City of Victoria (Exhibit B-1, p. 29).

The Langford Property is fee simple land that is zoned for commercial and industrial uses. It has been cleared and there are no known archaeological or heritage sites on the property. As the project will not impact aboriginal rights or title, TGVI determined that no First Nations consultation is required. Public consultation has been limited to discussions with the City of Langford, which has expressed no concerns (Exhibit B-1, p. 45).

No material concerns have been raised by Interveners about the location or suitability of the Langford Property. Subject to a Commission Panel concern about the size of the property which will be addressed in Section 5, **the Commission Panel determines that the proposed Langford Property is suitable for the Regional Facility.**

3.2. Construction of the Regional Facility

TGVI intends to construct a building with 12,012 square feet of office space and 9,771 square feet of warehouse and shop area. The space includes an allowance for 9 percent future growth (Exhibit B-1, pp. 27-9). TGVI plans to include six more fleet parking stalls than its current number of service vehicles, plus a number of other parking stalls (Exhibit B-4, BCUC IR 4.3).

The operational requirements for the new Regional Facility are described earlier in Section 2.2. TGVI engaged a consultant to complete a schematic design of the facility. The final design will be completed upon approval of the Application (Exhibit B-1, p. 30). The building will be constructed to the base certification standards adopted by LEED, and will include installation of a ground source heat pump for building heating and cooling. Also, it will use natural ventilation and lighting (Exhibit B-1, p. 42-4).

The lease for the Garbally Facility expires at the end of October 2012, and TGVI proposes to move into the new Regional Facility in early October 2012. The project schedule in the Application anticipated Commission approval by the end of December 2010, with design development to start in January 2011 and construction to start in November 2011. TGVI states that the timeline could be condensed by three months if required. (Exhibit B-1, pp. 31-2)

TGVI engaged WorleyParsons Canada Service Ltd. to review the cost estimate for the project. The consultant confirmed that the estimate for the Regional Facility meets the Advancement of Cost Estimating Class 3 level required for a CPCN application (Exhibit B-1, p. 38; Appendix S).

The cost estimate for the Regional Facility is \$13.2 million, plus \$1.1 million of Allowance for Funds Used During Construction (Exhibit B-1, cover letter).

CEC submits that the office space allocation for the Regional Facility is the most efficient of all of the TGVI and TGI regional offices. CEC submits that TGVI followed appropriate practices to prepare the cost estimate and that the estimates are suitable (CEC Final Submission, pp. 2, 5).

BCOAPO states that the cost estimate contains significant contingency and escalation amounts, and that it will be concerned if there are significant over-runs (BCOAPO Final Submission, p. 2). TGVl responds that it has taken appropriate measures to mitigate against such concerns including the engagement of appropriate subject matter experts (TGVl Reply Submission, p. 2). The Commission Panel accepts TGVl's submission.

BCOAPO has also expressed concerns about the disposal of the property at some future date and suggests that a "high regulatory bar" should be imposed on TGVl. TGVl deems such an eventuality as speculative and irrelevant to the question before the Commission regarding the public interest considerations of the current application (TGVl Reply Submission, p. 3). The Commission Panel concurs with TGVl.

BCOAPO has also raised concerns about the future obsolescence of the facility and TGVl's responsibility for remediation costs. TGVl submits that it is acquiring the facility to support customer service in the region and has no knowledge or information at the present time to suggest its functionality would be obsolete. It cannot prejudge future facts or speculate on what might occur in the future (TGVl Reply Submission, p. 3). The Commission Panel will address concerns about the future suitability and size of the proposed Regional Facility in the next section of this Decision.

No other material concerns have been raised by Interveners about the facility design or the related cost estimate, and the Commission Panel has not identified other concerns. The Commission Panel accepts the facility design concepts and the methodology used to develop the cost estimate for the Application. However, as identified in the Introduction, the Commission Panel remains concerned about the adequacy of justification for the number of staff and service vehicles that need to be accommodated at the Regional Facility. Any changes to these could affect both the facility design and the cost estimate.

4.0 ANALYSIS OF SIZE OF NEW REGIONAL FACILITY

TGVl designed the proposed Regional Facility to accommodate slightly more staff and service vehicles than the current numbers at the Garbally Facility. TGVl proposes to acquire 156,673 square feet of property, and construct a building with 12,012 square feet of office space and 9,771 square feet of warehouse and shop area. Based on the information filed in the proceeding related to TGI and TGVl staffing levels throughout British Columbia, the Commission Panel finds that a case could be made that TGVl might be able to meet customer needs in the Victoria area from the new Regional Facility with a substantially reduced staffing level. Therefore,

to fully consider the sizing of the facility the Commission Panel needs a detailed analysis justifying TGVl's staffing needs. Staffing levels to be accommodated at the new Regional Facility need to be re-evaluated in detail before construction of the facility in Langford can be approved.

4.1 Comparison of TGVl and TGI Regional Offices

TGVl provided detailed information about the number of staff and service vehicles at TGVl and TGI regional offices (Exhibit B-4, Attachment 1.7). Based on this information, the Commission Panel concludes that it must undertake a detailed evaluation of the number of staff and service vehicles that TGVl is likely to need to adequately service the Victoria area.

The CEC submitted that the proposed Victoria Regional Facility appears to be the least efficient operations centre in terms of customers per employee and customers per vehicle. CEC expressed concern about the efficiency of the complement of employees and vehicles for the number of customers to be served, and felt that the evidence available may not fully explain whether or not the planning for the proposed centre includes the appropriate sizing of the number of staff to be moved over from the Garbally Facility. Nevertheless, CEC states that its concerns regarding efficiency and productivity can be handled within the new location, and asks that the matter be addressed in the next revenue requirements proceeding. (CEC Final Submission, p. 2)

TGVl replies that determining efficiency based on the ratio of employees and vehicles to customers is not always appropriate; TGVl identifies a number of other factors that need to be taken into consideration when determining the number of employees that are needed at a location (TGVl Reply Submission, pp. 1-2).

The Commission Panel recognizes that several factors influence the number of staff and vehicles needed at a regional operations centre. At the same time, TGVl provided little in the way of factual evidence to support that the current staffing at the Garbally Facility is fully required. For example, the responses to BCUC IR 2.12 and 3.7 identify many of the staffing considerations that TGVl refers to in its Reply Submission, but provide no analysis that explains why more staff and vehicles are required to service the Victoria area. Also, the Commission Panel notes that one factor TGVl did not mention is the age of the system, which would be expected to affect matters like maintenance. Natural gas was made available to Vancouver Island only about 20 years ago, although older propane and butane systems in Victoria and Nanaimo were incorporated into the natural gas system.

An analysis that relates the number of staff and vehicles to criteria such as emergency response time, time to respond to service calls, time to install services to connect new customers, and average and maximum trip kilometres would provide a factual basis on which to compare the efficacy of Victoria operations to other TGVl and TGI regional offices.

The Commission Panel agrees with CEC that a revenue requirements proceeding would be the ideal place to evaluate the efficiency of operations in the Victoria area. The Commission Panel also concurs with CEC's request for TGVl to address the efficiency of its operations in its next revenue requirements proceeding and anticipates that the subject will be explored then. However, any reductions in staffing and vehicles that results from such an evaluation would come too late to be incorporated into the design and construction of the proposed Regional Facility in Langford. Furthermore, the number of staff and vehicles largely determines the amount of property that TGVl needs. As a scenario analysis, TGVl estimated that an Operations Centre sized for 70 percent of the office staff assumed in the Application and 80 percent of the operations staff would reduce project costs by a corresponding amount. For this reason, the Commission Panel concludes that TGVl must undertake a detailed review and to evaluation to assess the reasonableness of the number of staff and vehicles that TGVl reasonably needs to service the Victoria area. The detailed analysis of these matters which is requested in Section 5.1 could supplement an evaluation of the efficiency of TGVl's Victoria operations in its next revenue requirements proceeding.

4.2 Staffing Levels and Numbers of Service Vehicles

TGVl provided detailed information about the number of staff and service vehicles at TGVl and TGI regional offices (Exhibit B-4, Attachment 1.7). A comparison of staffing levels at the various TGI and TGVl regional offices indicates that staffing levels in Victoria significantly exceed the levels at other TGI or TGVl regional offices in terms of staff per 1,000 customers.

The number of service vehicles and the number of parking spaces for TGVl employees are significant drivers for the amount of land that TGVl needs for the Regional Facility. The Commission Panel concludes that the number of service vehicles to be accommodated at the Regional Facility needs to be consistent with the number of staff located there, and the amount of land for the facility should be adjusted accordingly.

The information about TGVl and TGI regional offices also indicates that TGVl Victoria has a high ratio of service vehicles per 1,000 customers, compared to other TGVl and TGI Regional Offices. This suggests that determining the number of staff likely to be accommodated at the Regional Facility and then re-assessing the number of service vehicles and parking spaces required would be a reasonable approach.

Two factors that will need to be considered in detail as part of this re-assessment are the impact of home and job-site mustering, and the number of service vehicles that TGVl staff will use to commute to and from the Regional Facility. Home and job-site mustering along with the loading bay parking required by Langford Parking Regulations should reduce the number of fleet parking spaces, but there is no evidence before the Commission Panel which states TGVl has adopted these alternative mustering practices in Victoria as extensively as TGI has in its service area. Also, to the extent that a service vehicle is used to commute to and from the Regional Facility, there would appear to be little need to provide an employee parking spot for that employee.

4.3 Design Basis for Regional facility

TGVl states that potential future amalgamation of the Terasen Utilities will not impact the space requirements for the Victoria regional operations centre as it is already integrated operationally with TGI (Exhibit B-1, p. 10). The evidentiary record to date does not support this statement; it is apparent that the Victoria regional office has not completed the transition from being the head office of a separate public utility to a regional operations office of a much larger utility. The Commission Panel concludes that it requires more information about the number of staff and service vehicles that need to be accommodated at the Regional Facility, and the corresponding number of parking spaces. These numbers are an essential part of the design basis for the Regional Facility, and materially affect the amount of land and the size of the building that are required. The next section of this Decision will address this requirement.

5.0 COMMISSION DETERMINATION

The Application has two parts. The first relates to the Langford Property purchase and the second to the construction of the Regional Facility.

TGVI needs a regional operations centre in the Victoria area, and the Commission Panel has concluded that the concept of a utility-owned facility has merit compared to continuing to lease facilities. Furthermore, the proposed location on Langford Parkway in Langford is suitable for the facility. However, a utility-owned facility will only be appropriate if it is sized and designed so that it cost-effectively meets the needs of TGVI for at least the next 20 years. Therefore, the Commission Panel approves that part of the Application that relates to the Langford Property purchase, with conditions.

The Commission Panel defers consideration of the request for approval to construct a new Regional Facility until TGVI provides sufficient information to the Commission about the number of staff and number of service vehicles that will need to be accommodated at the new Regional Facility, and hence the size of the facility and the amount of land required for it. Such information would include staffing levels based on criteria such as emergency response time, time to respond to service calls, and time to install services to connect new customers. It could also consider average and maximum trip kilometers, to provide a factual basis upon which to compare the efficacy of Victoria operations to other TGVI and TGI regional offices.

5.1 Langford Property Purchase

TGVI requests Commission approval to purchase Langford Parkway for a sum set out in the confidential portion of its filing. If the lot line adjustment does not work out as intended, an additional amount, also set out in the original filing, will be added to the purchase amount. TGVI requests an early decision from the Commission so that it can exercise the Offer to Purchase.

The Commission Panel has concluded that the Langford Property is acceptable with respect to location, price, and other attributes. However, the Langford Property will be larger than necessary for public utility purposes if the lot line adjustment does not proceed, and the review of the size of the Regional Facility may reduce the amount of property that is required as well. Consequently, once the new Regional Facility is approved by the

Commission, TGVl should review whether the entire Langford Property is needed for public utility purposes. If not, TGVl should make every reasonable effort to dispose of any land surplus to its needs.

The Commission Panel is prepared to approve TGVl's Application in part to find that the Langford Property purchase is in the public interest and grants a Certificate of Public Convenience and Necessity to TGVl for the purchase of the Langford Property on the following conditions:

- 1. TGVl agrees to use reasonable efforts to resell in a timely way such portion of the Langford Property that is not required for public utility purposes;**
- 2. TGVl will use all of the revenue from the resale less expenses to reduce the cost of the Langford Property that is included in TGVl's rate base; and**
- 3. The cost of the Langford Property shall be captured in a non-rate base deferral account at the purchase closing date. The cost of the portion of the property required for the Regional Facility shall attract allowance for funds used during construction (AFUDC) until being added to rate base in the appropriate land account on completion of the Regional Facility, while the cost of the remainder of the property will attract interest at the average interest rate that TGVl pays.**
- 4. TGVl is to file a written confirmation of its acceptance of conditions (1), (2) and (3) prior to exercising the Offer to Purchase, failing which the Application is refused.**

The date when the Application was filed, the Regulatory Timetable, and the Offer to Purchase do not permit extensive development of these conditions. However, the Commission Panel believes that the arrangements set out in Order G-68-10 for the Tilbury Property Purchase, which TGI accepted by letter dated April 14, 2010, provides a model for structuring the conditions on the purchase of the Langford Property.

5.2 Regional Facility

Because the Commission Panel is not satisfied with the information available to justify the sizing of the proposed Regional Facility, approval for proceeding with that facility is deferred. **The Commission Panel directs TGVl to file a report by February 28, 2011 that provides sufficient analysis and justification to support:**

- a) The expected staffing levels for distribution, transmission, business and information technology, marketing, and alternative energy services.**
- b) The expected numbers of required service vehicles for such staffing levels.**

- c) Based on the foregoing, the amount of office, workshop, and warehouse space required for the Regional Facility, including the numbers and types of parking spaces.**
- d) The proposed impact on service quality, safety, and efficiency of the new Regional Facility in comparison to other TGI and TGVl regional offices. This assessment should be supported by factual analysis using criteria such as emergency response times, time to respond to service calls, time to install services for new customers, and average and maximum trip kilometres.**

The report will include factual analyses that justifies staffing levels for distribution, transmission and support staff, to the extent that expected staffing exceeds the levels that are typical for other TGVl and TGI regional facilities. Upon receipt and review of the report, the Commission Panel will determine whether to grant a CPCN for that part of the Application that relates to the Regional Facility.