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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-35-11**

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

and

**An Application by Pacific Northern Gas Ltd.
for Approval of the Sale of its 50 Percent Interest in the
Pacific Trail Pipelines Limited Partnership**

BEFORE: L.F. Kelsey, Commissioner
D.A. Cote, Commissioner
D. Morton, Commissioner

February 25, 2011

O R D E R

WHEREAS:

- A. On February 15, 2011, Pacific Northern Gas Ltd. (PNG) applied to the British Columbia Utilities Commission (Commission) for approval under section 52 of the *Utilities Commission Act* to dispose of its 50 percent interest in Pacific Trail Pipelines Limited Partnership (PTP). PNG also requests approval of the Application by February 28, 2011 (the Application);
- B. PNG formed PTP with Galveston LNG Inc. (Galveston) in 2006 in order to pursue the development of the proposed 463 kilometer, natural gas pipeline from Kitimat, BC to Summit Lake, BC (the KSL Pipeline). PNG and Galveston were 50/50 equal partners;
- C. In early 2010, Galveston sold 51 percent of its interest in the Kitimat LNG export terminal and 25.5 percent of its 50 percent interest in PTP to Apache Canada Ltd. (Apache Canada). Later in 2010 EOG Resources Canada Inc. (EOG Canada) purchased Galveston, thereby obtaining a 24.5 percent interest in PTP. In late 2010, Apache Canada and EOG Canada jointly approached PNG to purchase the remaining 50 percent interest in PTP;
- D. The terms upon which PNG proposes to sell its interest in PTP to Apache Canada and EOG Canada are set out in an acquisition agreement entered into on February 4, 2011 (Acquisition Agreement). PNG has agreed to sell its 50 percent interest in PTP for \$50 million. The sale price is comprised of two parts. PNG will receive \$30 million on closing and be paid the remaining \$20 million when Apache Canada and EOG Canada decide to proceed with the construction of the Kitimat LNG export terminal;

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- E. The Commission notes a reference to the 20 year gas transportation service agreements under which Apache Canada and EOG Canada would utilize PNG's existing pipeline capacity if LNG Partners LLC. does not first exercise its pre-existing pipeline capacity option. The transportation service rate is fixed at \$0.35/GJ for the term of the agreements. At this rate approximately \$4 million per year of revenue would be generated under the initial 30 MMcf/day contract demand and another \$3 million per year under the 20 MMcf/day increase in contract demand;
- F. PNG acknowledged in BCUC IR 2.3 that the transportation agreement, if signed, will be brought forward for Commission approval;
- G. Commission Order G-19-11 established a written public hearing and regulatory timetable for the review of the Application;
- H. The Commission and British Columbia Old Age Pensioners' Organization, *et al.* (BCOAPO) issued Information Requests No. 1 on February 22, 2011 and PNG responded on February 24, 2011;
- I. The Commission received three letters of comment. The Peace River Regional District states that it does not have any concerns regarding the sale. BCOAPO supports the Application and made a few comments. I. Whytock opposes the sale of PNG's interest in the PTP to Apache Canada and EOG Canada. I. Whytock opposes the sale on the basis that the sale of this infrastructure to foreign interests is not in the best interests of Canada, an issue which is beyond the jurisdiction of the Commission;
- J. The Commission has reviewed the Application, the comments received and considers that approval of the sale by PNG of its 50 percent interest in PTP is in the public interest.

NOW THEREFORE pursuant to section 52 of the *Utilities Commission Act*, the Commission approves the sale by Pacific Northern Gas Ltd. of its 50 percent interest in Pacific Trail Pipelines Limited Partnership.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of February 2011.

BY ORDER

Original signed by:

D.A. Cote
Commissioner