



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-5-15**

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>

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

**Pacific Northern Gas Ltd.
Application for Approval of an Assignment and Amendment of a
Firm and Interruptible Gas Transportation Service Agreement**

BEFORE: L. F. Kelsey, Panel Chair/Commissioner
N. E. MacMurchy, Commissioner January 20, 2015
I. F. MacPhail, Commissioner

O R D E R

WHEREAS:

- A. Pacific Northern Gas Ltd. (PNG) and LNG Partners, LLC (LNGP) are parties to the Firm and Interruptible Gas Transportation Service Agreement dated May 26, 2010, as amended and accepted by the British Columbia Utilities Commission (Commission) on June 28, 2012, under Order G-89-12 as Supplement No. 29 to PNG's Gas Tariff (Existing GTSA);
- B. On November 7, 2013, Douglas Channel LNG Assets Partnership (DCLAP) and other petitioners, including LNGP, sought and obtained relief from the Supreme Court of British Columbia under the *Companies' Creditors Arrangement Act* (CCAA);
- C. Parties to the CCAA proceedings have developed a Plan of Compromise and Arrangement (Plan), which was approved by the creditors on December 15, 2014;
- D. The Supreme Court of British Columbia issued an order implementing the Plan on December 15, 2014;
- E. It is a condition precedent to the Plan that PNG assign and amend the Existing GTSA and that Commission approval is obtained in respect of these changes;
- F. On December 12, 2014, PNG filed with the Commission an application for approval under section 58 of the *Utilities Commission Act* of:
 - (i) assignment of the Existing GTSA all in accordance with the Assignment, Novation and Amendment Agreement among PNG, LNGP, DCLAP and EDF Trading Limited (EDFT) dated December 12, 2014 as filed with the application;

- (ii) certain amendments to the Existing GTSA in accordance with the Firm and Interruptible Gas Transportation Service Agreement between PNG and EDFT dated December 12, 2014, as attached as Schedule A to the Assignment, Novation and Amendment Agreement and as filed with the application (EDFT GTSA); and
 - (iii) acceptance of the EDFT GTSA as PNG Tariff Supplement No. 30 and cancellation of Tariff Supplement No. 29 for the Existing GTSA;
- G. The amendments to the Existing GTSA include additional option fees to be paid to PNG by EDFT, a reduced contract term from 30 years to 20 years, reduced crediting of prior option fees paid under the Existing GTSA, and a reduction in the interruptible charge payable by EDFT from 100 percent of the firm demand charge to 70 percent;
- H. PNG has incurred significant legal costs to participate in the restructuring of the Douglas Channel LNG project, which are outside the normal course of PNG's operations and have not been previously recovered in rates;
- I. The Application also seeks approval under sections 59-61 of the UCA that the additional option fees paid to PNG by EDFT under the EDFT GTSA, net of PNG's legal fees incurred in participating in the restructuring of the Douglas Channel LNG project, be recorded in a deferral account for future disposition as directed by the Commission;
- J. The Application also requests that when service to EDFT commences the revenue received under the EDFT GTSA will be included in the PNG Industrial Customer Deliveries Deferral Account;
- K. By Order G-206-14 the Commission established a Streamlined Review Process for January 19, 2015, for the review of the Application, and set a regulatory timetable with one round of information requests;
- L. Order G-206-14 also limited the scope of the Streamlined Review Process to the impact on PNG and its ratepayers from PNG's request for the assignment of the Existing Gas Transportation Service Agreement, the requested amendments and the acceptance of the EDF Trading Limited Gas Transportation Service Agreement as PNG Tariff Supplement No. 30 and the cancellation of the Supplement No. 29 for the Existing Gas Transportation Service Agreement;
- M. At the Streamlined Review Process, the Commission ruled that PNG's requests for the recording of additional option fees net of PNG's legal fees and recording the revenue received when EDFT commences service under the EDFT GTSA are not within scope for the review. The Commission determined that those matters can be dealt with at the next PNG revenue requirements application or by a separate application; and

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- N. The Commission considered the Application and the submissions and finds the Assignment, Novation and Amendment Agreement among PNG, LNGP, DCLAP and EDFT and the Firm and Interruptible Gas Transportation Agreement between PNG and EDFT to be in the public interest.

NOW THEREFORE the British Columbia Utilities Commission:

1. Approves the Assignment, Novation and Amendment Agreement among Pacific Northern Gas Ltd., LNG Partners, LLC, Douglas Channel LNG Assets Partnership and EDF Trading Limited dated December 12, 2014.
2. Approves the Firm and Interruptible Gas Transportation Service Agreement between PNG and EDF Trading Limited dated December 12, 2014.
3. Confirms the cancellation of Supplement No. 29 and accepts and approves the EDF Trading Limited Gas Transportation Service Agreement under Supplement No. 30 to Pacific Northern Gas Ltd.'s Tariff.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of January 2015.

BY ORDER

Original signed by:

L. F. Kelsey
Commissioner