



**ORDER NUMBER  
C-5-25**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Pacific Northern Gas Ltd.  
Certificate of Public Convenience and Necessity  
for Construction of the Ridley Island Energy Export Facility Interconnection Project

**BEFORE:**

E. A. Brown, Panel Chair  
E. B. Lockhart, Commissioner

on July 14, 2025

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

**WHEREAS:**

- A. On February 12, 2025, Pacific Northern Gas Ltd. (PNG) filed an application (Application) with the British Columbia Utilities Commission (BCUC) pursuant to sections 45 and 46 of the *Utilities Commission Act* (UCA), for a Certificate of Public Convenience and Necessity (CPCN) for the Ridley Island Energy Export Facility (REEF) interconnection project (Project);
- B. PNG also seeks approval, pursuant to sections 59 to 61 of the UCA, of a transportation reservation agreement (TRA), an industrial gas sales agreement (GSA) and a facilities agreement (Facilities Agreement), all of which pertain to the provision of natural gas service to REEF as a new industrial customer;
- C. The Project comprises the design, permitting, excavation, construction and commissioning of approximately 650 metres of interconnection fuel gas pipeline, a gas metering station and a hot tap to connect the PNG-West transmission system to REEF. The expected capital cost of the Project is \$3.25 million;
- D. By Order G-63-25, dated March 12, 2025, the BCUC established a regulatory timetable for the review of the Application, which consisted of public notice, one round of BCUC information requests, a letter of comment deadline and final argument;
- E. PNG requests that certain information contained in the Application and in response to BCUC Information Request (IR) No. 1 be kept confidential, pursuant to Rule 18 of the BCUC's Rules of Practice and Procedure. Specifically, PNG states that the information contained in the TRA, GSA and Facilities Agreement, which are provided in Appendices B, C, and D to the Application, respectively, is commercially sensitive and that, if released, could impact its competitive position. In addition, PNG submits that the Design Basis Memorandum (Appendix E) is an engineering document and should be kept confidential on the basis that it contains operationally sensitive information pertaining to PNG's assets. In this regard, PNG has provided

public versions of Appendices B, C, D and E to the Application with confidential information redacted. PNG requests that the BCUC keep the unredacted versions of appendices B, C, D and E confidential in perpetuity;

- F. PNG also requests that the Project Cost Estimate (Appendix F) be kept confidential given that PNG will be seeking competitive bids for Project materials and construction work and its negotiation position may be prejudiced if the estimated costs of the Project are disclosed. PNG has provided a redacted copy of Appendix F that PNG states can be made publicly available following the Project's in-service date; and
- G. The BCUC has considered the Application, evidence and submissions in this proceeding and finds that the following determinations are warranted.

**NOW THEREFORE** for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

- 1. A CPCN is issued to PNG for the Project.
- 2. The TRA, GSA and Facilities Agreement are approved, as filed.
- 3. PNG is directed to file Project reports as outlined in Appendix A of the decision.
- 4. The unredacted versions of Appendices B, C, D and E to the Application (Exhibit B-1-1) as well as PNG's confidential responses to BCUC IR No. 1 (Exhibit B-3-1) will be held confidential unless the BCUC determines otherwise.
- 5. The unredacted version of Appendix F to the Application (Exhibit B-1-1) will be held confidential unless the BCUC determines otherwise. Following the Project's in-service date, the redacted copy of Appendix F provided in response to BCUC IR 9.1 (Exhibit B-3-1) shall be publicly available.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 14th day of July 2025.

BY ORDER

*Electronically signed by Elizabeth (Lisa) Brown*

E. A. Brown  
Commissioner

Pacific Northern Gas Ltd.  
Certificate of Public Convenience and Necessity  
for Construction of the Ridley Island Energy Export Facility Interconnection Project

**DECISION**

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## Executive Summary

On February 12, 2025, Pacific Northern Gas Ltd. (PNG) applied to the British Columbia Utilities Commission for a Certificate of Public Convenience and Necessity (CPCN) for the Ridley Island Energy Export Facility (REEF) interconnection project (Project). The objective of the Project is to construct interconnection facilities to provide natural gas service to REEF, a large-scale liquified petroleum gas and bulk liquids terminal near the city of Prince Rupert, British Columbia.

The Project comprises approximately 650 metres of gas pipeline, a gas metering station and a hot tap to connect the PNG-West transmission system to REEF. The Project has an expected in-service date of September 2026 and an estimated capital cost of approximately \$3.25 million.

PNG is also seeking approval of the following customer agreements, all of which pertain to the provision of natural gas service to REEF:

- Transportation reservation agreement (TRA) – for REEF’s security of capacity on the PNG-West transmission system to enable the provision of firm natural gas service;
- Industrial gas sales agreement (GSA) – for the provision of firm natural gas service to REEF under PNG’s Industrial Service Rate Schedule 4 on a take-or-pay basis. The GSA has an initial delivery term of 10 years; and
- Facilities agreement (Facilities Agreement) – setting out the terms and conditions for PNG to design, construct, commission, own, operate and maintain the interconnection infrastructure necessary to provide natural gas service to REEF. This agreement includes the provision of credit support and a termination payment in the event of early termination, and sets out the computation of the dedicated facilities charge, which allows PNG to recover from REEF the cost of providing this service. The Facilities Agreement has a term of 15 years.

By virtue of an agreement between PNG and its customer, the Panel finds that PNG has demonstrated the need for interconnection facilities to provide natural gas service to REEF. The Panel is satisfied that PNG has scoped the Project appropriately with a solution that meets the Project’s stated need and accepts PNG’s analysis that rules out any other feasible alternatives.

The Panel is satisfied with the level of detail and accuracy provided in PNG’s Project capital cost estimate and notes that PNG’s ratepayers will benefit from the incremental margin associated with GSA’s contracted firm capacity. The Panel also considers that the Project risks and their mitigation measures appear reasonable for this stage of the Project and that PNG’s consultation activities to date have been adequate.

The Panel finds that the construction and operation of the Project is in the public interest and issues PNG a CPCN for the Project.

The Panel also finds that the customer agreements provide assurance to PNG of reasonable compensation for constructing and operating the interconnection facilities and adequately protect PNG’s ratepayers from financial risks. Accordingly, the Panel approves the TRA, the GSA and the Facilities Agreement.

## 1.0 Introduction

Pacific Northern Gas Ltd. (PNG) filed an application (Application) with the British Columbia Utilities Commission (BCUC), pursuant to sections 45 and 46 of the *Utilities Commission Act* (UCA), for a Certificate of Public Convenience and Necessity (CPCN) for the Ridley Island Energy Export Facility (REEF) interconnection project (Project).<sup>1</sup>

The Project comprises the design, permitting, excavation, construction, and commissioning of interconnection facilities dedicated to providing natural gas service to permanent facilities being constructed as part of REEF on Ridley Island, near Prince Rupert, British Columbia. The Project has an estimated capital cost of \$3.25 million.<sup>2</sup>

PNG also seeks approval, in support of its obligations under section 39 of the UCA and pursuant to sections 59 to 61 of the UCA, of the following agreements pertaining to the provision of natural gas service to REEF as a new industrial customer:<sup>3</sup>

- Transportation Reservation Agreement (TRA) – for REEF to secure capacity on the PNG-West transmission system for the provision of firm natural gas service;
- Industrial Gas Sales Agreement (GSA) – for the provision of firm natural gas service to REEF under PNG’s Rate Schedule 4, Industrial Service; and
- Facilities Agreement (Facilities Agreement) – setting out the terms and conditions for PNG to design, construct, commission, own, operate and maintain the interconnection infrastructure necessary to provide natural gas service to REEF, including the provision of credit support, and setting out the computation of the dedicated facilities charge that allows PNG to recover from REEF the cost of providing this service.

The BCUC established a regulatory timetable for the review of the Application, which consisted of public notice to all known affected or potentially affected parties, including all First Nations, Indigenous communities, and other stakeholders identified in the Application and the posting of the Application on PNG’s website. The review of the Application included one round of BCUC information requests (IRs), a letter of comment deadline, and final argument.<sup>4</sup>

### 1.1 Legal and Regulatory Framework

Section 39 of the UCA provides that, on reasonable notice, a public utility must provide suitable service without undue discrimination or undue delay to all persons who: (a) apply for service, (b) are reasonably entitled to it, and (c) pay or agree to pay the rates established for that service under the UCA.

Section 46 (3.1) of the UCA requires the BCUC to consider the following in determining whether to issue a CPCN:

- a) the applicable of British Columbia’s energy objectives, which are set out in section 2 of the *Clean Energy Act*,
- b) the most recent long-term resource plan filed by the public utility under section 44.1, if any, and
- c) the extent to which the application for the certificate is consistent with the applicable requirements under sections 6 and 19 of the *Clean Energy Act*.

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<sup>1</sup> Exhibit B-1, p. 1.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> BCUC Order G-63-25, dated March 12, 2025.

Sections 59 to 61 of the UCA govern the approval of rates. Pursuant to sections 59 and 60(1)(a) and (b) of the UCA, when setting rates, the BCUC must take into account all matters that it considers proper and relevant affecting the rate, and, amongst other things, must have due regard to setting a rate that is not unjust or unreasonable and not unduly discriminatory or unduly preferential.

The BCUC's CPCN Guidelines (CPCN Guidelines) provide general guidance regarding the BCUC's expectation of the information that should be included in an application while providing the flexibility for an application to reflect the specific circumstances of the applicant, the size and nature of the project and issues raised.<sup>5</sup> The CPCN Guidelines state that a CPCN application submitted under sections 45 and 46 of the UCA should contain information on the applicant, project need, alternatives and justification, consultation, project description, project cost estimate, provincial government energy objectives and policy considerations, and new service areas.<sup>6</sup>

## **1.2 Structure of the Decision**

The structure of this Decision largely follows that of the Application and the CPCN Guidelines:

- Section 2 discusses the proposed Project, including the need, alternatives, scope, risks and costs. This section also discusses the Project's alignment with BC's energy objectives and consultation and engagement that PNG has undertaken regarding the Project;
- Section 3 provides an overview of the proposed customer agreements and their terms; and
- Section 4 provides the Panel's overall determinations on the Application, including directives regarding Project reporting.

## **2.0 The Project**

### **2.1 Project Need**

REEF is a large-scale liquefied petroleum gas and bulk liquids terminal on Ridley Island that is being developed by joint venture partners AltaGas Ltd. (AltaGas) and Royal Vopak (Vopak) (together, the REEF Partnership). REEF will be developed on a site adjacent to AltaGas and Vopak's Ridley Island Propane Export Terminal, on lands administered by the Prince Rupert Port Authority. PNG states that the initial phase of REEF will include approximately 55,000 barrels a day of initial liquefied petroleum gas export capacity, including propane and butane, 600,000 barrels of liquefied petroleum gas storage, a new dedicated multi-product jetty, and extensive rail and logistics infrastructure.<sup>7</sup>

REEF has requested PNG to supply firm distribution pressure natural gas sales service for an initial 10-year term.<sup>8</sup> PNG states that it understands that REEF will primarily use natural gas to support site electrical power generation as there is insufficient electrical infrastructure to provide reliable grid electricity. PNG further states that the provision of natural gas service allows for the generation of needed site electrical power until British Columbia Hydro and Power Authority (BC Hydro) electrical infrastructure exists to provide grid electricity to REEF.<sup>9</sup>

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<sup>5</sup> Appendix A to Order G-20-15, BCUC 2015 Certificate of Public Convenience and Necessity Application Guidelines (CPCN Guidelines), p. 1.

<sup>6</sup> Exhibit B-1, p. 2.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid., p. 3.

<sup>9</sup> Ibid., p. 12.

PNG and AltaGas (the REEF facility operator) have signed a gas supply agreement (GSA) for PNG to provide firm natural gas service to REEF under PNG's Industrial Service Rate Schedule 4 for the initial 10-year term with the option to extend the term of the GSA by two years or more.<sup>10</sup> While the timing of transitioning from local electrical generation to BC Hydro's grid supply remains unknown, PNG states that it has included provisions to mitigate the risk to ratepayers in the event of early termination under each of the Facilities Agreement and the GSA. These provisions are discussed in Section 3.<sup>11</sup>

### *Panel Determination*

The Panel observes that AltaGas has requested, and PNG has committed to supplying, natural gas service to REEF for an initial 10-year term, with options for further periods. The GSA was signed by PNG and AltaGas in September 2024 setting out that PNG will provide natural gas as needed to support REEF's site electrical power generation in the medium term and until an electrical line extends to the facility.

By virtue of a signed agreement in place between PNG and its customer, REEF, **the Panel finds that PNG has demonstrated the need for natural gas interconnection facilities to provide the service requested by AltaGas for REEF.**

## **2.2 Project Description and Alternatives**

PNG explains that the Project comprises the design, permitting, excavation, construction, and commissioning of interconnection facilities dedicated to providing natural gas service to REEF.<sup>12</sup> The proposed scope of the Project includes:<sup>13</sup>

- approximately 650 metres of fuel gas pipeline,
- a meter station, and
- a hot tap to connect the PNG-West transmission system to the interconnection facilities.

PNG identifies that the proposed route for the Project is within a shared utility corridor on previously disturbed industrial land on Ridley Island, administered by the Prince Rupert Port Authority under the *Canada Marine Act*. PNG, working with the Prince Rupert Port Authority and REEF, has identified this route as presenting the least impact to REEF and planned future development of Ridley Island.<sup>14</sup>

PNG has determined that its PNG-West pipeline infrastructure has sufficient capacity to meet AltaGas's requirements with no system upgrades or reinforcements required. PNG submits that any alternatives for delivery of natural gas to REEF would be substantially more costly and time consuming than the proposed Project.<sup>15</sup>

PNG plans to obtain all requisite statutory right-of-way agreements for the Project from the Prince Rupert Port Authority. PNG also notes the Project requires an amendment to its British Columbia Energy Regulator (BCER) approval for pipeline and pipeline installation works as well as a new BCER permit for the meter station. PNG considers that the required BCER approvals for the Project are normal course in nature and states that they are presently underway.<sup>16</sup>

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<sup>10</sup> Exhibit B-1, p. 3.

<sup>11</sup> Ibid., p. 12; Exhibit B-3, BCUC IR 2.3.

<sup>12</sup> Ibid., pp. 1, 19.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., pp. 20, 23.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid., p. 21.

PNG states that construction of the Project is planned to commence in the second and third quarter of 2025, immediately upon approval of permits, with a scheduled in-service date of September 2026.<sup>17</sup>

### *Panel Discussion*

The Panel is satisfied that PNG has scoped the Project appropriately with a solution that is feasible and meets the Project's stated need of enabling PNG's provision of firm natural gas service under the terms of the GSA (discussed in Section 3). The Panel accepts PNG's assessment that its pipeline infrastructure has the capacity to deliver gas in the committed amounts without upgrades required. The Panel also accepts PNG's analysis, which rules out any feasible alternatives, noting PNG's assertion that the proposed siting of the gas line in a shared utility corridor poses the least impact to REEF and planned future development of Ridley Island and that any other solutions addressing the need for a natural gas connection would be more expensive and take more time.

## **2.3 Project Costs and Benefits**

### Project Costs

PNG worked with Grey Owl Engineering Ltd. to develop a capital cost estimate of \$3.25 million for the Project at an Association for the Advancement of Cost Engineering International (AACE International) Class 4 definition level with expected accuracy of -30 percent / +50 percent. The Project cost estimate includes a 15 percent contingency.<sup>18</sup> A summary of the estimated Project capital costs is provided in Table 1, below.

**Table 1: Summary of Estimated Project Capital Costs<sup>19</sup>**

<b>Capital Cost Component</b>	<b>Cost Estimate</b>
Indirect:	
Engineering	\$ 396,500
	396,500
Direct:	
Construction Management	440,700
Materials and Freight	267,100
Equipment	175,000
Construction / Commissioning	1,302,300
Site Services	125,400
	2,310,500
Subtotal	2,707,000
Overhead (5%)	135,400
Subtotal including Overhead	2,842,400
Contingency (15%)	406,000
<b>Total Capital Cost</b>	<b>\$ 3,248,400</b>

PNG states that it will continue to refine the Project cost estimate and it anticipates an AACE International Class 3 estimate will be completed by the end of the second quarter of 2025 following receipt and evaluation of construction bids.<sup>20</sup> PNG acknowledges that the CPCN Guidelines generally require a Class 3 level cost estimate

<sup>17</sup> Ibid., p. 22

<sup>18</sup> Ibid., p. 24.

<sup>19</sup> Exhibit B-3, BCUC IR 1.2.

<sup>20</sup> Ibid., BCUC IR 1.3.



to support a CPCN application; however, PNG submits that in the interest of timeliness of approval of the Application to meet REEF's timeline, and as PNG has negotiated contractual arrangements that provide for full cost recovery and thereby provide protection from financial risk to PNG and its customers, PNG is of the view that the Class 4 estimate appropriately supports the Application.<sup>21</sup>

### Project Benefits

PNG explains that its customers will benefit from the incremental margin associated with the annual contracted firm capacity to REEF under the GSA at PNG's Rate Schedule 4 delivery charge. The GSA has an initial term of 10 years and offers the possibility to extend for further periods.<sup>22</sup> In addition, under the terms of the GSA, AltaGas is committed, on a take-or-pay basis, to a firm daily contracted capacity for the duration of the initial delivery term at PNG's prevailing Rate Schedule 4 delivery charge. PNG estimates the positive rate impact derived from the contracted firm capacity commitment under the 10-year GSA will result in revenue of approximately \$3.9 million per year.<sup>23</sup> PNG also observes that there is potential additional benefit to customers in the form of incremental margin from deliveries to REEF in excess of the contracted demand, which PNG would provide on an interruptible basis.<sup>24</sup>

### *Panel Discussion*

The Panel notes that PNG has provided a Class 4 estimate with the Application, whereas the CPCN Guidelines state that a Class 3 estimate should be provided. However, the Panel is persuaded that the cost uncertainty risk of using a Class 4 estimate is sufficiently mitigated through credit support, the dedicated facilities charge, and other contractual mechanisms set out in the customer agreements that provide full recovery of the actual costs of the Project. The customer agreements are discussed further in Section 3. As a result, the Panel is satisfied with the level of detail and accuracy provided by PNG's cost estimate for this Application.

The Panel acknowledges that the incremental margin resulting from the GSA's contracted firm capacity provides a benefit to PNG's ratepayers. We also acknowledge that any deliveries in excess of contracted demand would increase the net benefit to PNG's ratepayers, but since there is no guarantee of these deliveries, the Panel does not attribute any weight to this possibility.

## **2.4 Project Risks**

PNG categorizes risks associated with the Project into two categories: financial risks resulting in a possible adverse rate impact to PNG's ratepayers and operational risks relating to the construction of the Project.<sup>25</sup>

Regarding financial risks, PNG states that there is no risk of adverse rate impacts to PNG's ratepayers due to the terms of the Facilities Agreement, which establish that AltaGas will pay a dedicated facilities charge to ensure PNG recovers all capital and operating costs associated with the Project over the 15-year term.<sup>26</sup> The dedicated facilities charge and the Facilities Agreement are discussed in Section 3.2.

Regarding operational risks, PNG identifies risks corresponding to First Nations consultation, public engagement, cost escalation, weather, wildlife, adjacent construction activities, site adjacent utility equipment, and contractor availability. PNG has identified and implemented a number of risk mitigation measures including early engagement with stakeholders and First Nations groups, early procurement with a competitive bidding

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<sup>21</sup> Exhibit B-1, p. 24.

<sup>22</sup> Ibid., p. 15.

<sup>23</sup> Exhibit B-3, BCUC IR 2.7.

<sup>24</sup> Exhibit B-1, p. 25.

<sup>25</sup> Ibid., pp. 26-28.

<sup>26</sup> Ibid., p. 26.

process for contractors and materials, allowances in the construction schedule for potential delays, an archaeological impact assessment and equipment impact studies. PNG also states that its insurance coverage protects against general business risks. PNG submits that after applying mitigation measures to the identified risks, any remaining construction and operation risks associated with the Project are negligible.<sup>27</sup>

### *Panel Discussion*

The Panel considers that the risks identified and the mitigation measures appear reasonable for this stage of the Project and the Panel is satisfied with the residual risk levels post mitigation.

The Panel's assessment is based on the following observations:

- Risks that have not been mitigated associated with the construction and operation of the Project are negligible,
- Any residual cost risks are retained by AltaGas rather than PNG's ratepayers, through contractual means (discussed in Section 3), and
- No system upgrades or reinforcements are required of PNG's system. The Panel considers this further limits the exposure of PNG's ratepayers to other Project risks.

## **2.5 Project Consultation and Engagement**

PNG notes that the construction of the Project falls within the footprint of the REEF site, and therefore it has generally benefited from the extensive consultation and engagement already conducted by the Prince Rupert Port Authority and the proponents active in REEF's development.<sup>28</sup> PNG states that the construction of the Project also falls under the BCER's jurisdiction and explains that the BCER's permitting process mandates Indigenous pre-engagement and stakeholder consultation, which includes engaging with Indigenous communities, local residents, and other stakeholders.<sup>29</sup>

PNG explains that it provided pre-engagement packages regarding the Project to six First Nations communities and then met with Gitga'at First Nation to provide a Project overview. PNG states that it initiated an Archaeological Impact Assessment (AIA) of the site and that the Kitselas First Nation and Metlakatla First Nation indicated they plan to attend the AIA site review as monitors. Gitga'at First Nation indicated it intends to provide comments once the AIA report is issued.<sup>30</sup> PNG states that it submitted a draft AIA report to the six First Nations communities on February 20, 2025, and no issues or concerns have been raised.<sup>31</sup>

PNG plans to continue to engage with the BCER regarding its permitting and associated First Nations consultation and engagement requirements and will continue its engagement with AltaGas and the Prince Rupert Port Authority regarding the Project.<sup>32</sup>

PNG has not conducted any public engagement regarding the Project and states that it considers the Project does not warrant public engagement beyond what AltaGas and the Prince Rupert Port Authority have already conducted or will conduct.<sup>33</sup>

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<sup>27</sup> Ibid., pp. 26-28.

<sup>28</sup> Ibid., p. 29.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid., pp. 29-30.

<sup>31</sup> Exhibit B-3, BCUC IR 7.1.

<sup>32</sup> Ibid.

<sup>33</sup> Exhibit B-3, BCUC IR 7.2; PNG Final Argument, p. 6.

## Panel Determination

**The Panel finds that PNG's consultation with potentially affected First Nations to date has been adequate.**

The Panel notes that PNG has been consulting with First Nations since December 2024 and we accept PNG's assessment that, based on its pre-engagement discussions and meetings held with First Nations, there are no known issues related to the Project.

The Panel is also satisfied with PNG's assessment that additional public engagement regarding the Project beyond the activities already being performed for REEF has been unnecessary to date. The Panel notes that both the Prince Rupert Port Authority and the proponents active in REEF's development (AltaGas and Vopak) have already conducted consultation and engagement for REEF through federal and provincial environmental review and permitting processes.

The Panel notes there were no letters of comment and acknowledges PNG's statement that no objections to the Project were raised by First Nations, the municipality or members of the public.

### 2.6 Project Alignment with Provincial Energy Objectives and the Long-Term Resource Plan

Section 46 (3.1) of the UCA provides that in deciding whether to issue a CPCN, the BCUC must consider:

- a) The applicable of British Columbia's energy objectives, which are defined in section 2 of the *Clean Energy Act*;
- b) The most recent long-term resource plan, if any, filed by the public utility under section 44.1; and
- c) The extent to which the application for the certificate is consistent with the applicable requirements under sections 6 and 19 of the *Clean Energy Act*.

PNG states that sections 6 and 19 of the *Clean Energy Act* are related to electricity and are not applicable.<sup>34</sup>

With regards to BC's energy objectives, PNG states that only the following objectives need to be considered:<sup>35</sup>

- (b) take demand side measures to conserve energy;
- (d) innovative technologies for conservation and use of clean resources;
- (g) greenhouse gas (GHG) emission reductions;
- (h) to encourage fuel switching to reduce GHGs;
- (i) to encourage communities to reduce GHGs and use energy efficiently;
- (j) to reduce waste by encouraging the use of waste heat, biogas and biomass;
- (k) to encourage economic development and the creation and retention of jobs; and
- (l) foster First Nation and rural communities through the use and development of clean and renewable resources.

PNG states that this Project will primarily advance BC energy objective (k), to encourage economic development and the creation and retention of jobs, as the Project is necessary to support REEF, and in turn, REEF is expected to drive economic benefits to local communities in Northwestern BC.<sup>36</sup>

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<sup>34</sup> Exhibit B-1, p. 10.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid., p. 11.

Regarding PNG's most recently filed long-term resource plan, PNG filed its 2024 Consolidated Resource Plan (2024 CRP) on June 28, 2024, which the BCUC accepted in its entirety on March 3, 2025.<sup>37</sup> PNG states that its 2024 CRP showed that PNG can serve its forecast demand, including the service required by REEF, from the existing capacity of the PNG-West System. PNG considers, therefore, that the 2024 CRP supports the construction of the Project to serve REEF without the need for system reinforcement.<sup>38</sup>

### *Panel Discussion*

The Panel is satisfied that the Project aligns with BC energy objective (k), to encourage economic development and the creation and retention of jobs.

The Panel is satisfied that the Project aligns with PNG's most recent long term resource plan, noting that PNG states that PNG's PNG-West system can accommodate its forecast demand, which includes the service required by REEF.

## **3.0 Customer Agreements**

PNG is seeking BCUC approval of three customer agreements pursuant to sections 59 to 61 of the UCA pertaining to the provision of natural gas service to AltaGas/REEF as a new industrial customer.<sup>39</sup>

### **3.1 Transportation Reservation Agreement (TRA) and Gas Sales Agreement (GSA)**

Prior to entering into the GSA and Facilities Agreement, PNG entered into a TRA with the REEF Partnership to secure an option for firm transportation capacity on PNG's Western transmission system for REEF in anticipation of entering into a GSA. The TRA included payment of a non-refundable initial reservation fee and provision that upon the execution of a GSA, the initial reservation fee would be recorded in PNG's deferred demand charges deferral account to be credited against future demand charges under the GSA.<sup>40</sup> As of September 13, 2024, the TRA expired and was replaced with the GSA.<sup>41</sup>

On September 13, 2024, PNG and AltaGas entered into a GSA for PNG to provide firm natural gas service to REEF at PNG's Industrial Service Rate Schedule 4. PNG states that it anticipates natural gas service to REEF to start in accordance with AltaGas's requirements for the planned operation of REEF in September 2026.<sup>42</sup> The GSA has an initial delivery term of 10 years and provides AltaGas with the right to extend the term of the agreement for further periods of a minimum of two years with one-year prior notice. There is no limit to the number of extension terms.<sup>43</sup>

The GSA establishes a firm daily contracted capacity. PNG explains that the contract demand is on a take-or-pay basis, which means that PNG will ensure that firm capacity is available on its system for REEF's exclusive use and in exchange, REEF is obliged to pay for a minimum monthly volume of gas even if this contracted volume of gas is not delivered in each calendar month. The GSA also includes a provision for PNG, in its sole discretion and on

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<sup>37</sup> BCUC Order G-55-25, p. 2.

<sup>38</sup> Exhibit B-1, p. 13.

<sup>39</sup> In the cover letter of the Application (Exhibit B-1), pp. 1-2.

<sup>40</sup> Demand Charge is defined as the sum of the delivery charge, company use rate rider and other rate riders per GJ; Exhibit B-1, Appendix C (Gas Sales Agreement), Schedule "B."

<sup>41</sup> Exhibit B-1, p. 15.

<sup>42</sup> Ibid, p. 22.

<sup>43</sup> Ibid., p. 15.

an interruptible basis, to provide natural gas sales service to REEF for demand in excess of the contracted firm demand.<sup>44</sup>

In the event of early termination of the GSA as a result of customer default, an early termination charge is payable, which PNG considers protects ratepayers from the impact of lost revenues.<sup>45</sup> PNG also explains that the GSA establishes that “Credit support will be provided by AltaGas on or before the fifth anniversary of the Commencement Date (refer to article 8.3 of the GSA) which will secure payment of the Early Termination Charge in the later years of the GSA when there is increased risk that AltaGas might switch to electricity service.”<sup>46</sup>

### **3.2 Facilities Agreement**

Concurrent with entering into the GSA, PNG and AltaGas entered into a Facilities Agreement providing for PNG to undertake the Project, including to design, construct, own, operate and maintain the interconnection facilities necessary to provide service to REEF.<sup>47</sup> The Facilities Agreement is effective as of September 13, 2024 and has a term of 15 years ending on the 15<sup>th</sup> anniversary of the commencement date, which the Facilities Agreement defines as the later of the first day after PNG has completed the interconnection facilities or AltaGas’ service request date.<sup>48</sup>

PNG explains that the terms of the Facilities Agreement ensure that PNG can recover the full capital cost of the interconnection facilities, a regulated return and the full recovery of any annual operating costs associated with the interconnection facilities by way of a dedicated facilities charge (Dedicated Facilities Charge). PNG states that these cost recovery provisions ensure that its other customers are not exposed to any risk of PNG not recovering costs associated with the Project assets that will be built solely for, and used exclusively by, AltaGas.<sup>49</sup>

The Dedicated Facilities Charge will be calculated as a monthly charge and set out in a rate schedule to be filed with the BCUC for approval. PNG anticipates filing this rate schedule for approval once the interconnection facilities have been completed and prior to the commencement date of the Facilities Agreement, which PNG expects to be August 1, 2026.<sup>50</sup> PNG states it will periodically review the underlying Dedicated Facilities Charge and if any adjustment to the charge is warranted due to fluctuation in the forecast Dedicated Facility Charge recoveries and actuals, PNG will apply to the BCUC for approval of such an adjustment.<sup>51</sup> PNG estimates that a monthly Dedicated Facilities Charge of \$34,758 over the 15-year term of the Facilities Agreement would recover the full forecast cost of service for the contract period.<sup>52</sup>

PNG states that as further protection to PNG and its customers, the Facilities Agreement provides for a termination payment in the event of early termination of the Facilities Agreement by AltaGas. PNG explains that prior to the commencement date, AltaGas would be responsible to pay all actual costs incurred up to the date of termination including any decommissioning costs and the system capacity reservation liability, which is an amount set out by the agreement.<sup>53</sup> After the commencement date, AltaGas is responsible to pay the undepreciated capital cost of the Project at the time of termination. PNG states that in the event of early

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<sup>44</sup> Ibid., pp. 15-16.

<sup>45</sup> Exhibit B-3, BCUC IR 2.3.

<sup>46</sup> Ibid.

<sup>47</sup> Exhibit B-1, p. 16.

<sup>48</sup> Ibid. p. 17; Appendix D, p. 3.

<sup>49</sup> Ibid., p. 17.

<sup>50</sup> Ibid., p. 4.

<sup>51</sup> Exhibit B-3, BCUC IR 2.5.1.

<sup>52</sup> Ibid., BCUC IR 2.4.

<sup>53</sup> Exhibit B-1, pp. 17-18.

termination, whether pre-or post-commencement date, PNG has the right to call on the credit support to collect the termination payment owing as described below.<sup>54</sup>

PNG notes that the Facilities Agreement also establishes that AltaGas will provide credit support for the estimated cost of the Project in advance of the construction. PNG explains that the credit support will be updated when required to ensure the support covers all unrecovered costs associated with the Project.<sup>55</sup>

### *Panel Determination*

**The Panel finds the Agreements provide assurance for PNG of reasonable compensation for constructing and operating the interconnection facilities and adequately protect PNG's ratepayers from financial risks.**

#### *Transportation Supply Agreement and Gas Supply Agreement:*

The TRA, which has expired and been replaced by the GSA, provided for an initial reservation fee that will be credited against AltaGas' future demand charges under the GSA. The Panel finds this agreement to be reasonable.

The Panel is satisfied that the GSA provides a reasonable arrangement between AltaGas and PNG, with AltaGas committing to monthly payments for a fixed volume of firm natural gas service delivery to REEF at the Rate Schedule 4 rate, supplied on a take-or-pay basis over at least the initial 10-year term. The Panel observes that PNG's sales to AltaGas under the GSA benefit PNG's customers because sales to AltaGas under the GSA means a higher volume of gas sales overall, which then results in a lower delivery rate for PNG's customers.

The Panel also notes that the GSA requires AltaGas to pay an early termination charge should AltaGas terminate the GSA due to an event of default. The Panel considers this, combined with the credit support, offers reasonable protection to PNG should AltaGas default on the agreement. The Panel considers that these elements of the GSA protect the positive rate impact the Project will have on PNG's ratepayers.

#### *Facilities Agreement:*

The Panel is satisfied that the Dedicated Facilities Charge will ensure PNG can recover the capital and operating costs of the Project in their entirety and collect a regulated return on PNG's investment in the interconnection facilities without exposing PNG's customers to financial risks. The Panel is satisfied that the risk of termination is fully mitigated should termination occur pre-commencement date (in which case AltaGas would be responsible to pay all actual costs incurred to date) and almost-fully mitigated post commencement date (in which case AltaGas is responsible to pay the undepreciated capital cost of the Project but is not responsible for decommissioning costs).

The Panel finds that the terms of the Facilities Agreement provide sufficient protection to PNG's ratepayers under all termination conditions with termination payments to PNG being supported through the provision of credit support on behalf of AltaGas.

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<sup>54</sup> Ibid.

<sup>55</sup> Exhibit B-1, pp. 17-18.

#### 4.0 Overall Determinations

PNG submits that construction of the proposed Project is in the public interest and the customer agreements are just and reasonable. PNG submits that the approvals sought in the Application should be granted.<sup>56</sup>

##### *Panel Determination*

**For the reasons set out in this Decision, the Panel finds that the public convenience and necessity require the construction and operation of the Project and it is in the public interest. Accordingly, the Panel issues PNG a CPCN for the Project.**

**PNG is directed to file Project reports as outlined in Appendix A of the Decision, including a Final Report filed within 30 days of the in-service date of the Project.**

**Aligned with the determinations in this Decision, the Panel approves the Transportation Reservation Agreement, Gas Sales Agreement and Facilities Agreement.**

**DATED** at the City of Vancouver, in the Province of British Columbia, this 14th day of July 2025.

*Electronically signed by Elizabeth (Lisa) Brown*

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E. A. Brown  
Panel Chair/Commissioner

*Electronically signed by Blair Lockhart*

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E. B. Lockhart  
Commissioner

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<sup>56</sup> PNG Final Argument, p. 8.

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**PROJECT REPORTING**

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**The scope of the reporting for the duration of the Project will comprise the following:**

**1. Material Change Report**

A material change is a change in PNG's plan for the Project that would reasonably be expected to have a significant impact on the schedule, cost or scope, such that:

- a. The Project in-service date of September 2026 is delayed by 3 months or longer;
- b. The total Project cost exceeds 30 percent of the estimated Project cost provided in response to BCUC IR 1.2; or
- c. There is a change to the Project scope provided in section 3.1 of the Application.

In the event of a material change, PNG must file a material change report with the BCUC explaining the reasons for the material change, PNG's consideration of the Project risk and the options available, and actions PNG is taking to address the material change. PNG must file the material change report as soon as practicable and in any event within 30 days of the date on which the material change occurs.

**2. Final Report**

A Final Report is to be filed within three months of the in-service date of the Project. The report is to include:

- a. A complete breakdown of the final costs of the Project;
- b. A comparison of these costs to the cost items provided in the Class 4 estimate provided in response to BCUC IR 1.2; and
- c. An explanation of all material cost variances for any of the cost items provided in the Class 4 estimate that exceed 10 percent.



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**LIST OF ACRONYMS**

Acronym	Description
2024 CRP	2024 Consolidated Resource Plan
AACE International	Association for the Advancement of Cost Engineering International
AIA	Archaeological Impact Assessment
AltaGas	AltaGas Ltd.
Application	Application for a Certificate of Public Convenience and Necessity for the Ridley Island Energy Export Facility interconnection project
BC Hydro	British Columbia Hydro and Power Authority
BCER	British Columbia Energy Regulator
BCUC	British Columbia Utilities Commission
CPCN	Certificate of Public Convenience and Necessity
GHG	Greenhouse Gas
GSA	Gas Sales Agreement
IRs	Information Requests
PNG	Pacific Northern Gas Ltd.
Project	Ridley Island Energy Export Facility interconnection project
REEF	Ridley Island Energy Export Facility
The REEF Partnership	AltaGas Ltd. and Royal Vopak
TRA	Transportation Reservation Agreement
UCA	<i>Utilities Commission Act</i>
Vopak	Royal Vopak

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**EXHIBIT LIST**

**Exhibit No.**                      **Description**

*COMMISSION DOCUMENTS*

A-1	February 26, 2025 – Panel Appointment
A-2	March 12, 2025 – BCUC Order G-63-25 establishing a regulatory timetable
A-3	April 2, 2025 – BCUC Information Request No. 1 to PNG
A-4	<b>CONFIDENTIAL</b> – April 2, 2025 –BCUC Confidential Information Request No. 1 to PNG

*APPLICANT DOCUMENTS*

B-1	February 12, 2025 – <b>PACIFIC NORTHERN GAS LTD. (PNG)</b> – Certificate of Public Convenience and Necessity for Construction of the Ridley Island Energy Export Facility Interconnection Project application
B-1-1	<b>CONFIDENTIAL</b> – February 12, 2025 – PNG submitting confidential appendices to application
B-2	March 24, 2025 – PNG submitting confirmation of public notice
B-3	<b>PUBLIC</b> – April 16, 2025 – PNG submitting response to BCUC Information Request No. 1
B-3-1	<b>CONFIDENTIAL</b> – April 16, 2025 – PNG submitting response to BCUC Information Request No. 1