



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-10-15**

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*, RSBC 1996, Chapter 473

and

Pacific Northern Gas Ltd.

An Application for a Certificate of Public Convenience and Necessity to Construct and Operate
An Interconnecting Pipeline between Kitimat and Douglas Channel

BEFORE: D. A. Cote, Panel Chair, Commissioner
B. A. Magnan, Commissioner
K. A. Keilty, Commissioner
October 9, 2015

O R D E R

WHEREAS:

- A. On July 16, 2015, Pacific Northern Gas Ltd. (PNG) submitted an application to the British Columbia Utilities Commission (Commission), pursuant to sections 45 and 46, of the *Utilities Commission Act* (UCA), for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate an approximate 8.8 kilometre interconnecting pipeline between Kitimat and Douglas Channel (Application);
- B. In its Application, PNG seeks the following:
1. Approval, pursuant to sections 45 and 46 of the UCA, for a CPCN for the construction and operation of an interconnecting pipeline between Kitimat, British Columbia, and the Douglas Channel area, consisting of either:
 - i. A 10-inch diameter transportation pipeline and related compression and metering facilities to serve a single customer, or
 - ii. A 30-inch diameter transportation pipeline and related compression and metering facilities to serve multiple customers.
 2. Approval for PNG to make a final construction decision between the 10-inch and 30-inch diameter pipeline alternatives based on the final investment decision made by the Douglas Channel LNG project and the financial commitments of other project proponents, subsequent to which PNG would file a compliance report with the Commission on the decision made;

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3. Approval, pursuant to section 58 of the UCA, for the Interconnecting Transportation Reservation Agreement (TRA) between PNG and EDF Trading Limited dated January 23, 2015 including the form of Transportation Service Agreement attached thereto; and
 4. Approval, pursuant to section 58 of the UCA, for the TRA between PNG and Triton LNG Limited Partnership dated July 22, 2015 including the form of Transportation Service Agreement attached thereto.
- C. By Orders G-122-15 and G-137-15, the Commission established a hearing process and the regulatory timetable for the Application;
- D. On July 31, 2015, PNG filed and requested confidential treatment of supplemental information on cost estimates and revenue requirement impacts of the proposed interconnecting pipeline, citing commercial sensitivity of the information and potential harm to commercial interests in a globally competitive environment;
- E. Registered interveners in the proceeding are: British Columbia Pensioners' and Seniors' Organization, Active Support Against Poverty, BC Coalition of People with Disabilities, Counsel of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre; LNG Canada Development Inc. ; and British Columbia Hydro and Power Authority. FortisBC Energy Inc. registered as an interested party in the proceeding;
- F. The Commission has reviewed the evidence in this proceeding and finds that certain approvals are necessary and in the public interest.

NOW THEREFORE for the reasons articulated in the Decision issued concurrently with this order, the Commission orders as follows:

1. Pursuant to section 45 and 46 of the *Utilities Commission Act* (UCA), a Certificate of Public Convenience and Necessity (CPCN) is granted to Pacific Northern Gas Ltd (PNG) to construct and operate an interconnecting pipeline between its existing pipeline terminus at Kitimat, British Columbia and the Douglas Channel area, consisting of either:
 - a. A 10-inch diameter transmission pipeline and related compression and metering facilities, or
 - b. A 30-inch diameter transmission pipeline and related metering facilities. The related compression equipment is also approved provided the compression equipment is electrically driven.
2. Should PNG choose to utilize a non-electric compression drive sized for the 30-inch option it must apply for a CPCN for that component of the project with justification and consideration of the British Columbia energy objectives in Part 1, section 2 of the *Clean Energy Act*.
3. PNG must submit a compliance filing confirming its decision to proceed with either the 10-inch or 30-inch interconnecting pipeline option by the earlier of within 30 days of a decision being made or by the end of 2015, including information described in the reporting section of the attached Decision.

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4. Prior to the start of construction of the interconnecting pipeline, PNG must:
 - a. ensure payment for all development costs are received,
 - b. have an executed Transportation Service Agreement (TSA) with EDF Trading Limited accepted by the Commission and all applicable credit support with EDF Trading Limited, and
 - c. ensure gas metering is addressed in its detailed design to address gas balancing issues for multiple shippers as described in the attached Decision.
5. Pursuant to section 58 of the UCA, approval is granted for the Interconnecting Transportation Reservation Agreements (TRAs) between PNG and EDF Trading Limited dated January 23, 2015 and between PNG and Triton LNG Limited Partnership dated July 22, 2015.
6. PNG, not its existing customers, will be responsible for any development costs in excess of amounts recovered from shippers;
7. The recovery of actual project development costs from EDF Trading Limited in material tranches, as incurred, until the development costs have been fully recovered, is approved.
8. With the exception of regulatory costs for this proceeding, PNG's existing customers will not be at financial risk for the proposed facility should the project not proceed.
9. Pursuant to section 58 of the UCA, approval is granted for the form of the TSAs attached to the TRAs, including the toll calculations, with the following exceptions:
 - a. PNG is to amend the form of TSA and file with the Commission no later than three months prior to PNG's expected start of construction as follows:
 - i. An amendment to include administrative and general (overhead) costs for shippers that only take service from PNG on the interconnecting pipeline;
 - ii. An amendment to include comparable penalty charges for all shippers in the event a shipper takes excess gas during a curtailment.
 - b. The fixed \$60,000 in Operating, Maintenance, General and Administrative (OMG&A) provision based on 2013 dollars and inflated by the Consumer Price Index is approved in the toll calculations for the 10-inch pipeline option. In the event that the TSAs negotiated between PNG and the shippers on a 30-inch interconnecting pipeline result in a revenue shortfall related to OMG&A, such revenue shortfall must not be recovered from existing ratepayers. PNG must provide an updated allocation of OMG&A based on actual costs, using the same methodology used in the Application, as part of its revenue requirement applications with the Commission.
 - c. If differences arise between the approved form of TSA, including above amendments, that are significant, these differences must be filed with the Commission for approval.

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- d. PNG must file all executed TSAs and other agreements that reserve rights on the interconnecting pipeline with the Commission no later than ten days following their execution.
10. PNG is directed to investigate potential options and provide a cost benefit analysis for options to mitigate stranded asset risks and consequences with respect to the 10-inch pipeline on behalf of its existing ratepayers and provide this analysis with its recommended option as part of its next revenue requirements application.
 11. PNG must file within 6 months of the date of this order a proposal outlining how PNG intends to approach the issues related to harmonization of terms and conditions among shippers including a timeline.
 12. PNG must provide Project status reports and final project reports including information as described in the Reporting section of the attached Reasons for Decision.
 13. PNG must comply with all other directives contained in the Decision issued concurrently with this order.
 14. The project cost estimates and revenue requirement analysis information filed confidentially on July 31, 2015 will be held confidential by the Commission.

DATED at the City of Vancouver, in the Province of British Columbia, this 9th day of October 2015.

BY ORDER

Original signed by:

D. A. Cote
Panel Chair / Commissioner

