



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-19-11**

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

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

February 17, 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* (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 2008, the Kitimat LNG "import" terminal was changed to an "export" terminal in response to significant changes in the availability of natural gas in BC;
- D. 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;
- E. 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;
- F. The Acquisition Agreement includes 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

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2

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;

- G. In addition to this Application, the Commission is also in the process of reviewing PNG's 2011 Revenue Requirements Application (2011 RRA);
- H. The Commission determines that a written public hearing is needed for the regulatory review of the Application.

**NOW THEREFORE** the Commission orders as follows:

1. The Application will be examined by a Written Public process, in accordance with the Regulatory Timetable that is attached as Appendix A to this Order.
2. The Commission considers that the scope of this Application will be limited to PNG's proposal to sell its 50 percent interest in PTP to Apache Canada and EOG Canada and the 2011 RRA is the appropriate process for reviewing the disposition of the proceeds from the sale of PNG's interest in PTP.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 17<sup>th</sup> day of February 2011.

BY ORDER

*Original signed by:*

L.F. Kelsey  
Commissioner

Attachment

**PACIFIC NORTHERN GAS LTD.**  
An Application  
for Approval of the Sale of its 50 Percent Interest  
in the Pacific Trail Pipelines Limited Partnership

**REGULATORY TIMETABLE**

ACTION	DATE (2011)
Intervener/Interested Party Registration	Monday, February 21
Commission Information Request No. 1	Tuesday, February 22
Intervener Information Request No.1	Tuesday, February 22
Response to Commission and Intervener Information Request No. 1	Thursday, February 24
Intervener Comments	<b>Noon</b> , Friday, February 25