

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-149-08**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

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



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

and

Pacific Northern Gas Ltd.
Application for Approval of a Term Sheet
between PNG and LNG Partners LLC.

BEFORE: P.E. Vivian, Commissioner
A.A. Rhodes, Commissioner October 2, 2008
L.A. O'Hara, Commissioner

O R D E R

WHEREAS:

- A. On September 25, 2008, Pacific Northern Gas Ltd. ("PNG") filed with the British Columbia Utilities Commission ("the Commission") a Term Sheet between PNG and LNG Partners LLC. ("LNG Partners") dated September 18, 2008 (the "Term Sheet") together with PNG's submission in support of obtaining Commission approval of the Term Sheet (together, the "Application"); and
- B. The Term Sheet sets out the terms and conditions under which LNG Partners will pay PNG a non-refundable fee of \$1.5 million ("Initial Option Fee") to obtain an option, for a period of six months commencing from the date of Commission approval of the Term Sheet (the "Option Period"), to contract for firm pipeline capacity on PNG's pipeline system for at least 75 MMcf/day on the terms and conditions set forth in the Term Sheet; and
- C. The Option Period may be extended for a further six month period in consideration of the payment by LNG Partners to PNG of an additional non-refundable fee of \$1.5 million ("Option Extension Fee"); and
- D. If LNG Partners exercises the option, a firm gas transportation service agreement will be entered into between PNG and LNG Partners on the terms and conditions of service set out in the Term Sheet, including a unit demand charge of \$0.50/GJ to apply during the initial 3 to 5 year term and escalated by inflation for an optional second term and the requirement for LNG Partners to supply four percent of their gas requirements to PNG for pipeline operations; and

UTILITIES COMMISSION

**ORDER
NUMBER** G-149-08

2

- E. PNG submits in the Application that if LNG Partners exercises its option to contract for firm gas service, PNG will file a fully executed definitive firm gas transportation service agreement that is materially the same as the agreement contemplated under the Term Sheet; and
- F. PNG is also applying for Commission approval to recover from the Option Fee and Option Extension Fee and eventually from any annual firm revenue from LNG Partners, the foregone return to date on facilities previously deactivated as a result of the loss of load and revenue due to the closure of the Methanex methanol/ammonia plant in November 2005. The methodology for determining the risk-weighted foregone return was described by PNG in its response to Commission Information Request No. 16.4 from the 2006 PNG Revenue Requirement proceeding and is also discussed in the Application; and
- G. PNG submits that LNG Partners has emphasized the need for a prompt review of the Application, and that it is prepared to quickly address any questions the Commission may have in respect of these arrangements and welcomes comments and questions from interested parties.

NOW THEREFORE the Commission orders as follows:

1. The first steps in the regulatory review process will be in accordance with the Preliminary Regulatory Timetable that is attached as Appendix A to this Order.
2. Further steps in the regulatory review process will be established following written submissions on the process for further review of the Application. Interested parties are invited to address in their submissions whether the issue of the allocation of revenues from LNG Partners should be severed from the request for Commission approval of the Term Sheet, and considered within the proceeding to review PNG's 2009 Revenue Requirement.

DATED at the City of Vancouver, in the Province of British Columbia, this 2ND day of October 2008.

BY ORDER

Original signed by

A.A. Rhodes
Commissioner

Attachment

Pacific Northern Gas Ltd.
Application for Approval of a Term Sheet between PNG and LNG Partners LLC

PRELIMINARY REGULATORY TIMETABLE

<u>ACTION</u>	<u>DATE (2008)</u>
Commission Information Request ("IR") No. 1	Thursday, October 9
Intervenor registration and written submissions on procedure	Friday, October 10
Intervenor IR No. 1	Friday, October 17
PNG responses to Commission and Intervenor IR No. 1	Friday, October 31