



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-116-13**

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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 Amendments to the Agreement for Sale
of its Interest in Pacific Trail Pipelines Limited Partnership

BEFORE: L.F. Kelsey, Commissioner
N.E. MacMurchy, Commissioner August 1, 2013
B.A. Magnan, Commissioner
D.M. Morton, Commissioner

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 sell its 50 percent interest in Pacific Trail Pipelines Limited Partnership (PTP) to Apache Canada Ltd. (Apache Canada) and EOG Resources Canada Inc. (EOG Canada). The Commission approved the sale by Order G-35-11, dated February 25, 2011. The approval was based on the acquisition agreement between PNG, Apache Canada and EOG Canada, dated February 4, 2011 (Acquisition Agreement);
- B. Under the Acquisition Agreement, PNG sold its 50 percent interest in PTP to Apache Canada and EOG Canada subject to a contingent reversionary right at the end of 2013. The purchase price of \$50 million was to be paid in two tranches. The first tranche of \$30 million was paid to PNG on closing in March 2011. The remaining \$20 million was to be paid upon Apache Canada and EOG Canada advising PNG that they had issued a notice to proceed with respect to the construction of the Kitimat LNG (KLNG) Project;
- C. On February 8, 2013, Chevron Canada Limited (Chevron) acquired 50 percent of PTP. On May 23, 2013 PNG, Chevron and Apache Canada entered into an agreement to amend certain rights and obligations in the Acquisition Agreement and to provide for PNG's consent to the assignment of EOG Canada's interest in the Acquisition Agreement to Chevron (Amending Agreement);

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- D. On June 7, 2013, PNG applied to the Commission under Section 52 of the Act for approval of the Amending Agreement (the Application);
- E. The Amending Agreement contains two key changes to the Acquisition Agreement:
- a. The requirement for the Purchasers to issue notice to proceed with the KLNG Project by the end of 2013 and the contingent reversionary right are removed and instead the second payment is due to PNG within 45 days of approval of the Amending Agreement by the Commission. The second payment is increased to \$38 million.
 - b. Chevron has the option to buy out the Operation and Maintenance Agreement by paying PNG the fees otherwise payable under the Operation and Maintenance Agreement for the seven-year term less the avoidable cost of performing the services for that term.

PNG also proposed to reduce the test year 2014 cost of service for the Western system by \$500,000 to provide an additional benefit to ratepayers;

- F. By way of Order G-98-13 dated June 14, 2013, the Commission established a public written hearing process for the review of the Application and a Regulatory Timetable;
- G. British Columbia Pensioners' and Seniors' Organization et al. (BCPSO) is the only Intervener that registered in this proceeding. BCPSO did not raise any objections to approval of the Amending Agreement as filed;
- H. The Commission has considered the Application, the evidence, the submissions and the public interest and considers that approval of the Amending Agreement as filed is warranted.

NOW THEREFORE pursuant to section 52 of the *Utilities Commission Act*, the Commission approves the amendments to the agreement for sale of Pacific Northern Gas Ltd.'s interest in Pacific Trail Pipelines Limited Partnership.

DATED at the City of Vancouver, in the Province of British Columbia, this 1st day of August 2013.

BY ORDER

Original signed by:

D.M. Morton
Commissioner