



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-4-14**

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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 (N.E.) Ltd.
for a Certificate of Public Convenience and Necessity to Acquire,
Construct, Own and Operate a Compressed Natural Gas Virtual Pipeline
between the Communities of Dawson Creek and Tumbler Ridge

BEFORE: B.A. Magnan, Panel Chair/Commissioner
L.A O'Hara, Commissioner March 5, 2014

O R D E R

WHEREAS:

- A. On July 17, 2013, Pacific Northern Gas (N.E.) Ltd. [PNG(N.E.)] submitted an application to the British Columbia Utilities Commission (Commission) for a permanent Compressed Natural Gas (CNG) trucking service solution that would act as a virtual pipeline from the community of Dawson Creek to Tumbler Ridge (CNG Virtual Pipeline). On September 20, 2013, PNG(N.E.) filed an Evidentiary Update, which included revisions to the approvals sought (Application);
- B. PNG(N.E.) seeks:
- 1) Approval for a Certificate of Public Convenience and Necessity (CPCN) pursuant to sections 45 and 46 of the *Utilities Commission Act* (UCA) to acquire, construct, own and operate the CNG Virtual Pipeline for an approximate capital cost of \$3.842 million;
 - 2) Approval for a proposed new Bulk CNG Service (RS 30) tariff, pursuant to sections 59 to 61 of the UCA, for Dawson Creek in order to provide CNG service to customers, including CNG supply for the Tumbler Ridge service area;
 - 3) Pending approval of 1) and 2) above, approval for the disposition of costs deferred under the Quintette Security of Supply Agreement (SSA), including the transfer of \$43,180 in costs to the capital cost of the CNG Virtual Pipeline and the recovery of remaining costs of \$261,706 in Tumbler Ridge customer rates over a period of five years (the Application); and
 - 4) Pending approval of 1) and 2) above, approval for the inclusion of costs accumulated in the "Studies" deferral account (\$3,203), and of the cost associated with the "Sweet Gas Supply

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** C-4-14

2

Options” Study (\$18,613), for a total of \$21,816 in the Tumbler Ridge site preparation, mobilization and commissioning capital cost (the Application);

- C. On August 8, 2013, the Commission issued Order G-119-13 establishing a Written Hearing Process and a Regulatory Timetable for the review of the Initial Application, which included two rounds of Information Requests (IRs);
- D. On September 3, 2013, the Commission issued Order G-137-13 amending the Regulatory Timetable to allow PNG(N.E.) to file an Evidentiary Update to the Initial Application for consideration by the Commission and Registered Interveners prior to the second round of IRs and establish a third round of IRs;
- E. The District of Tumbler Ridge (DTR) registered as an Intervener on August 15, 2013 and the British Columbia Pensioners’ and Seniors’ Organization *et al.* (BCPSO) and FortisBC Energy Utilities (FEU) registered as Interveners on August 16, 2013;
- F. The CNG Virtual Pipeline will consist of natural gas compression and dispensing facilities in Dawson Creek, receiving and injection terminals in the Tumbler Ridge Service Area, and specialized trailers to transport the CNG between the facilities in Dawson Creek and terminals in Tumbler Ridge;
- G. PNG(N.E.) filed its Final Submission on November 20, 2013. DTR and BCPSO filed their Final Submissions on November 27, 2013. PNG(N.E.) filed its Reply Submission on December 4, 2013; and
- H. The Commission has reviewed the Application, considered the evidence and the submissions and finds that a CNG Virtual Pipeline as described in the Application is in the public interest and that a CPCN should be granted, subject to the conditions as set out in this Order.

NOW THEREFORE the Commission orders as follows:

1. A Certificate of Public Convenience and Necessity (CPCN) is granted to Pacific Northern Gas (N.E.) Ltd. [PNG(N.E.)] to construct, own and operate a Compressed Natural Gas (CNG) Virtual Pipeline, subject to the conditions as set out in Directives 2 to 6 and 12 of this Order. PNG(N.E.) is to confirm acceptance of the conditions through a compliance filing by April 30, 2014.
2. PNG(N.E.) must provide evidence that there is sufficient firm commitment from a customer (or combination of customers) for take-or-pay service for a minimum of 60 percent of the total forecast new CNG demand for the Tumbler Ridge Service Area of 140,000 GJ. This take-or-pay contract (or combination of contracts) must be set for a minimum seven year period effective from the in-service date of the CNG Virtual Pipeline.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** C-4-14

3

3. PNG(N.E.) must calculate the rate charged under the minimum 60 percent take-or-pay contract(s) described in Directive 2 based on the rolled-in cost of the existing Tumbler Ridge natural gas system with the incremental cost of the CNG Virtual Pipeline.
4. PNG(N.E.) Dawson Creek Division must obtain a minimum volume commitment from the PNG(N.E.) Tumbler Ridge Division of 60 percent of the forecast deliveries of CNG to Tumbler Ridge of 140,000 GJ for a the equivalent period as that of the Tumbler Ridge take-or-pay customers effective from the in-service date of the Project.
5. PNG(N.E.) must file with the Commission the minimum take-or-pay contracts which collectively satisfy the conditions in Directives 2 to 4 on or before December 31, 2016.
6. PNG(N.E.) must also file a rate proposal and accompanying rate schedule for Quintette Mine and other potential customers of the CNG Virtual Pipeline which contemplates the cost recovery mechanisms in Directives 2 and 3 on or before December 31, 2016.
7. Subject to PNG(N.E.) meeting the conditions described in Directives 2 to 6 and 12, the Commission approves PNG(N.E.)'s request to transfer \$27,140 from the Quintette Security of Supply Agreement (SSA) Deferral Account to the Dawson Creek project capital costs and \$16,040 to the Tumbler Ridge project capital costs, for a total transfer of \$43,180 from the Quintette SSA Deferral Account to project capital costs. If PNG(N.E.) does not meet the conditions for CPCN approval, the Commission directs that the \$43,180 remain in the Quintette SSA Deferral Account.
8. PNG(N.E.)'s request to recover the Quintette SSA Deferral Account from Tumbler Ridge customer rates is not approved.
9. Subject to PNG(N.E.) meeting the conditions described in Directives 2 to 6 and 12, PNG(N.E.)'s request to include the \$18,613 incurred for the Sweet Gas Supply Options Study in the Tumbler Ridge portion of the capital costs of the CNG Virtual Pipeline is approved. If PNG(N.E.) does not meet the conditions for CPCN approval, the Commission directs that, PNG(N.E.) place the \$18, 613 into a new "Sweet Gas Studies" deferral account.
10. PNG(N.E.)'s request to include the \$3,203 in the Studies Deferral Account as part of the capital costs of the CNG Virtual Pipeline is not approved.
11. Subject to PNG(N.E.) meeting the conditions described in Directives 2 to 6 and 12, the Commission approves the new seasonal Bulk Compressed Natural Gas Service (RS 30) tariff for PNG(N.E.)-Dawson Creek.
12. PNG(N.E.) is directed to file with the Commission the RS 30 Tariff at the same time as it files the take-or-pay contracts and rate schedules in directives 5 and 6.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** C-4-14

4

13. PNG(N.E.) must undertake a comprehensive and detailed technical study of the sweet raw gas supply sources in the Tumbler Ridge region, and file the long-term supply study for the Tumble Ridge Service Area with its next PNG(N.E.) Resource Plan, which is due on or before April 18, 2015 as per Order G-60-13.
14. If PNG(N.E.) does not:
- (a) confirm acceptance of the conditions set out in Directives 2 to 6 and 12 through a compliance filing by April 30, 2014; and
 - (b) meet all the conditions set out in Directives 2 through 6 and 12 by December 31, 2016,
- the CPCN approval shall be deemed cancelled.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of March, 2014.

BY ORDER

Original signed by

B.A. Magnan
Panel Chair/Commissioner