



**BRITISH COLUMBIA
UTILITIES COMMISSION**

ORDER

NUMBER G-89-88

PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by
Inland Natural Gas Co. Ltd.

BEFORE: J.G. McIntyre,)
Chairman;)
J.D.V. Newlands,)
Deputy Chairman;)
N. Martin,) September 21, 1988
Commissioner; and)
W.M. Swanson, Q.C.,)
Commissioner)

ORDER

WHEREAS Inland Natural Gas Co. Ltd. ("Inland") applied August 2, 1988 for approval of a Natural Gas Service Agreement dated April 11, 1988 for transportation service from the Inland system to Pope & Talbot Ltd.'s ("P&T") sawmill at Midway, B.C.; and

WHEREAS P&T presently takes natural gas service under Rate Schedule 5.4 - Large Firm Service - Industrial and is modernizing its Midway sawmill to include the conversion of three dry kilns to consume natural gas instead of wood waste as a source of fuel; and

WHEREAS P&T is desirous to reduce its energy costs and has entered into a Transportation Service Agreement with Inland at a rate of \$0.43/GJ for a five year period; and

WHEREAS Inland calculates that the proposed transportation service rate of \$0.43/GJ will result in a lost margin and requests that a revenue shift of \$16,500 be approved effective November 1, 1988; and

WHEREAS the Commission has considered the Application and is satisfied that the Agreement is in the public interest.

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NOW THEREFORE the Commission hereby orders as follows:

1. The Natural Gas Service Agreement for transportation service between Inland and P&T reflected in the Letter of Intent dated April 11, 1988 is approved and attached as Appendix A.
2. The Executed Contract is required to be filed for approval as a Gas Tariff, Tariff Supplement within 30 days of the date of this Order.
3. The revenue deficiency of \$16,500 as calculated by Inland, resulting from P&T taking transportation service, and requested to be shifted to other customers, is unjustified and therefore denied.

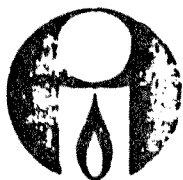
DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of September, 1988.

BY ORDER



John G. McIntyre
Chairman

311/31/ac
Attachment



INLAND NATURAL GAS CO. LTD.

BOX 12503, 1066 WEST HASTINGS STREET,
VANCOUVER, BRITISH COLUMBIA V6E 3G3
TELEPHONE(604) 684-0484

APPENDIX A
APR 18 1988

April 11, 1988

Mr. Abe Friesen,
President,
Pope & Talbot Ltd.,
P.O. Box 39,
Grand Forks, B.C.
VOH 1H0

Dear Sir:

RE: NATURAL GAS SERVICE AGREEMENT

We wish to confirm that Pope & Talbot Ltd. ('P&T') intends to contract for natural gas transportation service from Inland Natural Gas Co. Ltd. ('Inland') for the Midway Sawmill. Upon acceptance of the terms and conditions outlined in this letter, Inland will proceed to prepare an application requesting the British Columbia Utilities Commission ('BCUC') approval of same.

1. Inland agrees to provide firm transportation service for P&T effective November 1, 1988. Transportation terms and conditions have yet to be approved by the Commission. However, it is expected that tariffs will be in place by August, 1988.
2. The rate for transportation service has been negotiated to be competitive with the alternate energy options available to P&T and will be set at 0.43 \$/GJ for a five year period. The rate will not be subject to change and will be effective upon the completion of the conversion of the 3 existing steam-heated kilns to natural gas. It is understood that the annual consumption of natural gas for kiln drying of lumber and space heating is projected to be 200,000 GJ/year.
3. Should P&T wish to return to full sales service, the transportation rate will be considered as the margin for the development of a rate for firm gas sales.
4. P&T agrees to contract with Inland for firm transportation or gas sales for a 5 year period, ending November 1, 1993. P&T will be subject to terms and conditions for transportation and sales approved by the BCUC.
5. This proposal remains subject to the approval of the BCUC.

We wish to further express our understanding that subject to the approval of funds, the conversion project may be completed as soon as September 1, 1988.

Wholly Owned Subsidiary Companies

COLUMBIA NATURAL GAS LIMITED • FORT NELSON GAS LTD. • INLAND GAS & OIL CO. LTD. • INLAND DEVELOPMENT CO. LTD.

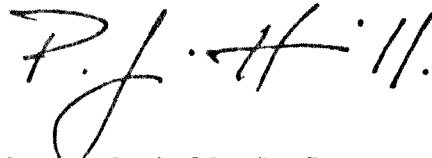
- 2 -

Please confirm acceptance of this understanding by signing where indicated on the enclosed copy of this letter.

We trust the above meets with your approval and look forward to continuing our relationship with Pope & Talbot.

Yours truly,

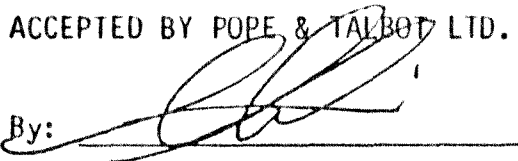
INLAND NATURAL GAS CO. LTD.



Peter J. Hill, P. Eng.,
Marketing Engineer -
Industrial Accounts.

PJH/sfb
Encl.

ACCEPTED BY POPE & TALBOT LTD. this 18th day of April, 1988.

By: 

By: _____