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BRITISH COLUMBIA UTILITIES COMMISSION

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UTILITIES COMMISSION

ORDER NUMBER G-26-00

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

and

A Request by BC Gas Utility Ltd.
for Approval of the Amortization of Expenditures Recorded in the Deferral Account
for the Salmon Arm Reinforcement Satellite LNG Project

BEFORE: P. Ostergaard, Chair)
L.R. Barr, Deputy Chair)
P.G. Bradley, Commissioner) March 9, 2000
B.L. Clemenhagen, Commissioner)
K.L. Hall, Commissioner)

O R D E R

WHEREAS:

A. By Order No. G-103-97 dated October 2, 1997, the Commission approved a deferral account for BC Gas Utility Ltd. ("BC Gas") to record reasonable and prudent expenditures related to a Satellite Liquified Natural Gas ("LNG") peak shaving facility to reinforce the Salmon Arm natural gas lateral; and

B. On June 25, 1999, BC Gas requested Commission approval of $563,378 of expenditures related to reinforcement of the Salmon Arm lateral, plus related allowance for funds used during construction ("AFUDC"), and asked for approval to amortize the amount in customer rates over three years commencing January 1, 2000; and

C. The applied for expenditure included $135,189 related to options other than the Satellite LNG for reinforcing the Salmon Arm lateral, and BC Gas states in its February 25, 2000 letter that, in the event these costs are not considered as part of the Satellite LNG deferral account, it intends to include the costs in an application for a Certificate of Public Convenience and Necessity for a compressor to reinforce the Salmon Arm lateral; and

D. The applied for expenditures also included $228,436 for work done by CDS Research Ltd. ("CDS") and $199,753 for other expenditures related to the Satellite LNG option; and

E. BC Gas provided additional information and submissions about the expenditures, including submissions dated February 25 and March 6, 2000; and

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F. The Commission has considered the information and submissions provided by BC Gas, and has concluded that the work assignment for CDS was poorly conceived and managed. In particular, BC Gas failed to properly document its arrangement with CDS, and did not take effective measures to terminate the work and limit the expenditures when circumstances warranted; and

G. The Commission has concluded that CDS invoiced costs through January 1998 of $38,122, estimated costs for February 1 to 11, 1998 of $20,346 including PST, and a reasonable allowance for the cost of terminating the project on February 11, 1998 should be approved; and

H. The Commission deems that 20 percent of the January 22, 1998 CDS cost estimate, which is calculated as $46,872 including PST, to be the reasonable allowance for the cost of termination; and

I. The Commission has concluded that other expenditures of $199,753 related to Satellite LNG should also be approved.

NOW THEREFORE the Commission orders as follows:

1. CDS Research Ltd.'s costs of $105,340 and other expenditures of $199,753 related to Satellite LNG, plus related AFUDC, are approved with respect to the Salmon Arm Satellite LNG deferral account.

2. Amortization of the approved amount in the Salmon Arm Satellite LNG deferral account in customer rates is approved over three years commencing January 1, 2001.

DATED at the City of Vancouver, in the Province of British Columbia, this 9th day of March 2000.

BY ORDER

Original signed by:

Lorna R. Barr
Deputy Chair