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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** E-6-03

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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. and Pacific Northern Gas (N.E.) Ltd.
for Approval of an Energy Management Services Agreement with Terasen Gas Inc.**

BEFORE: L.A. Boychuk, Commissioner)
L.F. Kelsey, Commissioner) October 9, 2003

O R D E R

WHEREAS:

- A. On September 3, 2003, Pacific Northern Gas Ltd. ("PNG") and Pacific Northern Gas (N.E.) Ltd. ("PNG(N.E.)") filed a May 7, 2003 Energy Management Services ("EMS") Agreement with Terasen Gas Inc. ("Terasen Gas") for gas management services from June 1, 2003 and ending April 30, 2005; and
- B. The EMS Agreement requires Terasen Gas to manage PNG's and PNG(N.E.)'s Gas Supply Acquisition Resources for its transmission and distribution pipeline systems for the four receipt points on the pipelines from Summit Lake to Prince Rupert and Kitimat, Fort St. John, Dawson Creek, and the Tumbler Ridge grid systems; and
- C. From December 1, 2000 to October 31, 2004, Engage Energy Canada Limited Partnership ("Engage"), a subsidiary of Westcoast Energy Inc. ("WEI"), provided PNG with gas contracting and price risk management services; and
- D. In March 2002 Duke Energy acquired WEI and Engage and moved the gas supply and marketing activities for PNG to Houston, Texas and Salt Lake City, Utah. In May 2003 PNG negotiated a termination agreement for the Engage energy management services contract. The termination date was May 31, 2003 and a termination fee was paid to Duke Energy Gas Transmission ("Duke Energy"); and

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2

E. The Commission has reviewed the PNG and PNG(N.E.) filing and is satisfied that the May 7, 2003 EMS Agreement with Terasen Gas is in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The Commission, pursuant to Section 71 of the Utilities Commission Act and the Rules for Energy Supply Contracts, accepts for filing for PNG and PNG(N.E.) the May 7, 2003 Energy Management Services Agreement with Terasen Gas that requires Terasen Gas to manage PNG's and PNG(N.E.)'s gas supply acquisition resources from June 1, 2003 to April 30, 2005. This includes gas supply planning, contract negotiations, daily energy scheduling, and price risk management functions.
2. The Commission may review the prudence of the termination payment to Duke Energy with the next PNG and PNG(N.E.) revenue requirements application. At this time, the total amount is to be included in the PNG and PNG(N.E.) Gas Cost Variance Accounts.
3. The Commission accepts PNG's request to maintain the related correspondence, contracts and documents as confidential.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of October 2003.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner