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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** C-2-05

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

and

A Submission by Terasen Gas (Vancouver Island) Inc.
for Review of a Resource Plan dated June 18, 2004

and

An Application dated August 4, 2004 for a
Certificate of Public Convenience and Necessity
for a Liquefied Natural Gas Storage Project

BEFORE: L.A. Boychuk, Panel Chair and Commissioner
N.F. Nicholls, Commissioner
P.E. Vivian, Commissioner
February 15, 2005

O R D E R

WHEREAS:

- A. On June 21, 2004, Terasen Gas (Vancouver Island) Inc. ("TGVI") filed with the Commission its Resource Plan Report dated June 18, 2004, covering the Vancouver Island and Sunshine Coast service areas ("Resource Plan") prepared with a view to satisfying the Commission's Resource Planning Guidelines issued in December 2003 related to the new subsections 45(6.1) and 45(6.2) of the Utilities Commission Act ("the Act"); and
- B. On August 4, 2004, TGVI filed with the Commission an application ("the CPCN Application") for a Certificate of Public Convenience and Necessity ("CPCN") to construct and operate a new Liquefied Natural Gas ("LNG") Storage Facility at a location referred to as Mount Hayes in the Cowichan Valley Regional District in the vicinity of Ladysmith and certain related facilities (the "LNG Project"); and
- C. In both its June 21 and August 4, 2004 filings, TGVI requested that the Commission's review of the Resource Plan and the CPCN Application take place concurrently or jointly as part of the regulatory review and approval process required; and

- D. Following a written process, the Commission determined that the Resource Plan and the CPCN Application should be heard concurrently; and
- E. The Commission, by Order No. G-79-04, established a Pre-hearing Conference on September 13, 2004, to consider issues and procedural matters associated with the Resource Plan and CPCN Application, including timing and steps in the review process; and
- F. Commission Order No. G-83-04 established an oral public hearing which commenced on November 17, 2004 in Nanaimo, BC to review the Resource Plan and the CPCN Application, and set out the Regulatory Agenda for the proceeding; and
- G. The oral public hearing took place on November 17 to 19, 2004 in Nanaimo and on December 6 to 13, 2004 in Vancouver. Written argument was completed when TGVF filed its Reply Submission on January 14, 2005; and
- H. The Commission has considered the Resource Plan and the CPCN Application, the written evidence filed prior to the hearing, the evidence presented at the hearing and the written arguments that were filed after the hearing, and has determined that a CPCN should be approved for the LNG Project providing the conditions in this Order are met.

NOW THEREFORE the Commission orders as follows:

1. The Commission accepts the Resource Plan for filing, pursuant to subsections 45(6.1) and 45(6.2) of the Act.
2. Pursuant to Section 45 of the Act, the Commission approves a Certificate of Public Convenience and Necessity for the LNG Project as set out in the CPCN Application with an estimated cost of \$94.4 million, subject to the following conditions:

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- 2.1 The Engineering, Procurement and Construction (“EPC”) bid price that TGVI accepts for the LNG Storage Facility will not exceed 110 percent of \$75.9 million.
 - 2.2 A firm, long-term transportation service agreement to serve the Island Co-generation Plant and the proposed Duke Point Power Limited Partnership facility will be executed by TGVI and British Columbia Hydro and Power Authority and approved by the Commission, prior to the commencement of construction of the LNG Project.
 - 2.3 An LNG Storage Agreement that assures TGVI of LNG mitigation revenue consistent with the amount of such revenue that TGVI used in its financial analysis will be executed by TGVI and Terasen Gas Inc. and approved by the Commission, prior to commencement of construction of the LNG Project.
 - 2.4 The Certificate of Public Convenience and Necessity will terminate if construction of the LNG Project has not commenced by December 31, 2005.
3. TGVI will file the detailed firm EPC bid price and detailed project schedule with the Commission in a timely fashion, and will confirm that the estimate of total project costs is based on steel prices and other information that is current.
 4. TGVI will file with the Commission monthly progress reports on the LNG Project schedule and costs, followed by a final report upon project completion. TGVI will determine the form and content of the reports in consultation with Commission staff.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of February 2005.

BY ORDER

Original signed by:

Lori Ann Boychuk
Chair