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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-79-08

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

and

**An Application by Imperial Oil Resources
for an Exemption from Part 3 and Section 71 of the Utilities Commission Act
for Electrical Distribution Facilities in the Boundary Lake Area
and Authorization to Sell Electricity to ATCO Electric Ltd.**

BEFORE: L.F. Kelsey, Commission
P.E. Vivian, Commissioner May 1, 2008

O R D E R

WHEREAS:

- A. Imperial Oil Resources ("IOR") and its joint venture associates own the Goodlow Substation and certain electricity distribution equipment and facilities located in the Boundary Lake area northeast of Fort St. John, British Columbia (collectively, the Goodlow Substation and the distribution facilities in British Columbia are the "Boundary Lake Distribution Facilities"). IOR operates the Boundary Lake Distribution Facilities; and
- B. The Boundary Lake Distribution Facilities were originally constructed to supply electricity to oil and gas operations in the Boundary Lake area that are owned by IOR and its joint venture associates, and which include an oil and gas operation located in Alberta near the British Columbia/Alberta border ("IOR Alberta Joint Venture"); and
- C. As a result of Alberta Regulation 165/2003, IOR is required to purchase electricity for the IOR Alberta Joint Venture through the Alberta Power Pool, and consequently the parties in the Boundary Lake area have restructured the contractual arrangements associated with the Boundary Lake Distribution Facilities; and
- D. IOR buys electricity for the Boundary Lake operations from British Columbia Hydro and Power Authority ("BC Hydro") under a Rate Schedule 1823 Electricity Supply Agreement (the "BC Hydro/IOR ESA") that is effective July 1, 2007, with delivery of the electricity at the Goodlow Substation; and
- E. To continue an arrangement that has been in effect for some years, BC Hydro and IOR have entered into a Transformation and Wheeling Agreement effective July 1, 2007 whereby IOR transforms and wheels electricity through the Boundary Lake Distribution Facilities to serve BC Hydro customers in the Boundary Lake area. The BC Hydro customers include British Columbia residents and companies, and ATCO Electric Ltd. ("ATCO") which owns distribution lines in Alberta that are connected to the Boundary Lake Distribution Facilities at the Alberta border (the "ATCO Facilities"); and

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- F. The ATCO Facilities are not connected to the Alberta electricity grid, and serve the IOR Alberta Joint Venture and other ATCO customers in Alberta near the British Columbia/Alberta border; and
- G. IOR and ATCO have entered into a Power Purchase Agreement (the “PPA”) effective July 1, 2007 whereby ATCO purchases electricity from IOR and resells it to the Alberta Power Pool, which in turn sells an equivalent amount of electricity to the IOR Alberta Joint Venture. All of these transactions occur at the Alberta Power Pool price, and are designed to respect the historical arrangements in place between the companies and allow the IOR Alberta Joint Venture to continue to realize the economic benefit of its investment in the Goodlow Substation; and
- H. IOR and ATCO have also entered into a standard Electrical Service Agreement for the delivery of the power to the IOR Alberta Joint Venture; and
- I. By Application dated November 20, 2007 (the “Application”), IOR requests an order from the Commission exempting IOR, as operator of the Boundary Lake Distribution Facilities, and the Boundary Lake Distribution Facilities as those facilities may be modified or expanded from time to time, from Section 71 and Part 3 of the Utilities Commission Act (the “Act”); and
- J. In the Application, in order to comply with Section 24 of the BC Hydro/IOR ESA, IOR also requests authorization from the Commission to resell to ATCO that portion of the electricity that IOR purchases from BC Hydro which is used by the IOR Alberta Joint Venture under the terms of the PPA; and
- K. By letter dated October 11, 2007, ATCO submits that it has reviewed and supports the Application and the orders requested from the Commission in the Application; and
- L. By letter dated November 15, 2007, BC Hydro submits that, due to the remoteness of the Boundary Lake Area and the long distances between customers, the most practical and cost effective way for BC Hydro to serve its customers in the areas has been, and will continue for the foreseeable future to be, by wheeling electricity through the substation and distribution lines operated by IOR. BC Hydro states that it supports the Application and the orders requested from the Commission, and the selling by IOR of electricity to ATCO for the purpose of supplying the IOR Alberta Joint Venture; and
- M. Section 88(3) of the Act provides that the Commission may, on conditions it considers advisable, with the advance approval of the Lieutenant Governor in Council (“LGIC”), exempt a person, equipment or facilities from the application of all or any of the provisions of the Act; and
- N. By Order in Council No. 231 dated April 16, 2008 and attached as Appendix I to this Order, the LGIC granted advance approval to the Commission to exempt IOR and the Boundary Lake Distribution Facilities from certain provisions of the Act for the purpose and subject to the terms set out in the draft Commission Order attached to the Order in Council; and

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- O. The Commission has considered the Application and submissions it has received, and has determined that an exemption for IOR, as operator of the Boundary Lake Distribution Facilities, and the Boundary Lake Distribution Facilities from certain provisions of the Act is in the public interest.

NOW THEREFORE the Commission orders as follows:

1. Pursuant to Section 88(3) of the Act and subject to Paragraph 2 of this Order, the Commission approves an exemption for IOR, as operator of the Boundary Lake Distribution Facilities, and the Boundary Lake Distribution Facilities as those facilities may be modified or expanded from time to time from Section 71 and Part 3 of the Act.
2. This exemption, granted pursuant to this Order, shall remain in effect until the Commission orders otherwise, for reasons that may include the determination of any complaint it receives from a person whose interests are affected.
3. The exemption will be effective the date of this Order.
4. The Commission grants IOR authorization as required under Section 24 of the BC Hydro/IOR ESA to sell to ATCO that portion of the electricity that IOR purchases from BC Hydro under the BC Hydro/IOR ESA which is used by the IOR Alberta Joint Venture under the terms of the PPA.
5. IOR is responsible for the safe and proper operation of its facilities consistent with the requirements of the Electrical Safety Branch.

DATED at the City of Vancouver, in the Province of British Columbia, this 1st day of May 2008.

BY ORDER

Original signed by

L.F. Kelsey
Commissioner

Attachment

PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

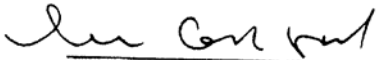
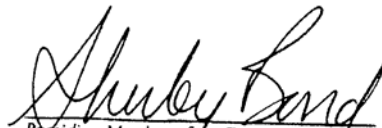
Order in Council No.

231 , Approved and Ordered APR 16 2008


Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that approval is given to the British Columbia Utilities Commission to exempt Imperial Oil Resources, as operator of the Boundary Lake Distribution Facilities and the Boundary Lake Distribution Facilities as those facilities may be modified or expanded from time to time, from section 71 and Part 3 of the *Utilities Commission Act* set out in the attached draft order for the purpose and subject to the terms set out in the attached draft order of the British Columbia Utilities Commission.


Attorney General and Minister Responsible
for Multiculturalism
Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section:- *Utilities Commission Act*, R.S.B.C. 1996, c. 473, s. 88 (3)
Other (specify):-

February 4, 2008

O/106/2008/33