

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-2-09**

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

and

**An Application by Terasen Gas Inc.
for a Certificate of Public Convenience and Necessity
for the Upgrade of the Transmission Pipeline Crossing of the South Arm of the Fraser River**

BEFORE: A.J. Pullman, Commissioner
and Panel Chair
D.A. Cote, Commissioner

March 12, 2009

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On November 6, 2008, Terasen Gas Inc. ("TGI") applied (the "Application") to the British Columbia Utilities Commission (the "Commission"), pursuant to section 45 of the Utilities Commission Act (the "Act"), for a Certificate of Public Convenience and Necessity ("CPCN") for two horizontal directional drilled ("HDD") natural gas transmission pipeline crossings of the South Arm of the Fraser River between Delta and Richmond near Tilbury Island (the "Fraser River South Arm Crossing Upgrade Project", "Project"); and
- B. The Fraser River South Arm Crossing Upgrade Project, as proposed by TGI, will be approximately 1,400 metres (0.9 mile) of 508 mm (20 inch) and 610 mm (24 inch) HDD pipelines, and will replace the existing 508 mm (20 inch) and 610 mm (24 inch) buried crossings at this location; and
- C. TGI states that it considered several alternatives in the Application, one of which was the replacement of the existing 508 mm (20 inch) crossing with a new HDD 762 mm (30 inch) crossing and pipeline extending from Tilbury Gate Station to Nelson Gate Station; and
- D. TGI considers that the Project is non-discretionary as the existing natural gas transmission pipeline crossings are no longer reliable due to potential consequences in the event of a seismic event, the effects of river scouring and future dike improvements; and

- E. TGI proposes to start installation of the new crossings in June 2009 and to have the new crossings in-service by October 2009. However, TGI proposes that construction may be undertaken in 2010 if, following evaluation of tenders for the HDD work, it is determined to be more cost effective. TGI estimates the cost of the project will be \$27.3 million including Allowance for Funds Used During Construction ("AFUDC"); and
- F. By Order G-173-08 dated November 20, 2008, the Commission determined that the Application would be examined by a Written Public Hearing process, and established an amended Regulatory Timetable; and
- G. Submissions in the proceeding concluded with TGI's Reply Submission on February 11, 2009; and
- H. The Commission Panel has considered the Application and the evidence and submissions in the proceeding and has determined that the Project is in the public interest and that a CPCN be issued to TGI for the Project for the reasons set out in the Reasons for Decision that accompany this Order.

NOW THEREFORE pursuant to sections 45 and 46 of the Act, the Commission orders as follows:

- 1. A Certificate of Public Convenience and Necessity is granted to TGI for construction and operation of the Fraser River Crossing Upgrade Project as applied for in the Application, subject to the following conditions:
 - a. TGI will file with the Commission by June 15, 2009, a Report (the "Report") providing a description of the contract with the HDD contractor; identification of the components of the Project where cost risk is with the utility and its ratepayers; a description and analysis of risk allocation; a detailed control budget for the Project; an updated Project schedule; TGI's intentions and recommendations with regard to the completion of the Project; and cost estimates that have a 50 percent probability ("P50") and a 90 percent probability ("P90") that the actual cost of the Project will not exceed the cost estimates. The control budget will be consistent with the P50 cost estimate and will conform with the format and at a minimum, provide the level of detail set out in BCUC IR 5.2 in Exhibit B-2; and
 - b. The P50 cost estimate and control budget in the Report in nominal dollars is equal to or less than the cost estimate in the Application plus 20 percent, which is an amount of \$32.75 million; and
 - c. In the event that the P50 cost estimate and control budget are greater than \$32.75 million, TGI may seek approval of the term of the contract following a process by which Intervenor may file submissions within seven (7) calendar days of the date of the Report is filed with the Commission. TGI may reply in writing to the submissions within eleven (11) calendar days of filing the Report.
- 2. TGI shall file with the Commission Quarterly Progress Reports on the Project showing planned versus actual schedule, planned versus actual costs, and any variances or difficulties that the Project may be encountering. The Quarterly Progress Reports will be filed within 30 days of the end of each reporting period, and will generally be as set out in Appendix A to this Order.

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3. TGI shall file with the Commission a Final Report, within six months of the end or substantial completion of the Project, that provides a complete breakdown of the final costs of the Project, compares these costs to the updated cost estimate, and provides an explanation and justification of material cost variances.
4. TGI shall comply with directions of the Commission Panel in the Reasons for Decision that accompanies this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of March 2009.

BY ORDER

Original signed by:

A.J. Pullman
Commissioner and Panel Chair

Attachments

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Table of Contents of Quarterly Progress Report

1. Project Status

- 1.1.1 General Project Status
- 1.1.2 Major Accomplishments, Work Completed and Key Decisions Made
- 1.1.3 Project Challenges and Issues; Issues Currently Open, Date Opened, Dated Closed, Those Issues that are Past Due
- 1.1.4 Plans for Next Period
- 1.1.5 Site Photographs

2. Project Schedule and Cost

- 2.1.1 Project “S” Curve and schedule showing the budget at completion, actual cost to date, estimate to completion, estimate at completion, cost variance between estimated and budgeted cost at completion, schedule variance, percent budget spent, and percent complete. All values are to be shown in each report throughout the duration of the project.

3. Project Schedule

- 3.1.1 Milestone Summary with the planned finish date, actual finish date, variance in days, status
- 3.1.2 Procurement Summary with the planned finish date, actual finish date, variance in days, status
- 3.1.3 Contract Summary with the planned finish date, actual finish date, variance in days, status
- 3.1.4 Current Schedule
- 3.1.5 Schedule Summary
 - 3.1.5.1 Schedule Performance to Date
 - 3.1.5.2 Schedule Projection Going Forward
 - 3.1.5.3 Schedule Difficulties and Variances
- 3.1.6 Design Scope Change Summary with Description of Request, Explanation for Request, Request Amount, Approved Amount, Deferred Amount, Reject Amount, Under Investigation Amount.
- 3.1.7 Construction Scope Change Summary with Description of Request, Explanation for Request, Request Amount, Approved Amount, Deferred Amount, Reject Amount, Under Investigation Amount.

4. Project Costs

- 4.1.1 Project Cost Summary including explanation of variances relative to the cost estimate in the Application and the updated control budget. For each cost category the report should show: “amount in CPCN Application”, amount in control budget”, “spent to date”, “estimate to complete”, “forecast total to complete”, and “variances”. At a minimum, information will be provided for each cost category identified in BCUC IR 5.2 in Exhibit B-2.
- 4.1.2 Financial Summary including explanation of variances for the total project costs.
- 4.1.3 Summary of Individual Contracts (Construction and Procurement) Exceeding \$2 million with Budget Amount, Award Amount, Approved Change Orders.

5. Project Resource Management

- 5.1.1 Engineering Resources (Man-hours, Planned vs. Actual – non- cumulative) both in chart and table format. Provide explanation for variance and corrective action taken.
- 5.1.2 Construction Resources (Man-hours, Planned vs. Actual – non-cumulative) both in chart and table format. Provide explanation for variance and corrective action taken.

6. Project Risks

- 6.1.1 Current Project Risks.
- 6.1.2 Risks Going Forward.

7. Stakeholder or First Nation Issues

- 7.1.1 An ongoing report on the status of all existing and new issues, and an explanation of any new issues.

LIST OF TABLES

Table 1	Project Milestones
Table 2	Project Expenditure Summary, Table & Chart of Cumulative Capital Expenditure showing an Updated Cost Estimate, Upper Bound (Cost Estimate), Current Forecast to Complete, Spent to Date (Escalation and Contingency are to be identified separately).
Table 3	Summary of Variances Greater than \$2 million
Table 4	Summary of Contracts exceeding \$2 million
Table 5	Summary of Outstanding Claims greater than \$2 million
Table 6	Table of Project Risks including Risk Description & Explanation, Date Risk Originated, Date Risk Last Reviewed, Level/Severity of Risk, Mitigation Plan, Contingency Plan, Mitigation Cost Amount (including schedule delay), Contingency Reserve Amount Required, Total Contingency Reserve Required to Date, Contingency Reserve Remaining.