



ORDER NUMBER
G-85-19

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and Mt. Hayes (GP) Ltd.
Application for Approvals to Reorganize the Ownership Interests in the
Mt. Hayes Liquefied Natural Gas Storage

BEFORE:

T. A. Loski, Panel Chair
B. A. Magnan, Commissioner

on April 17, 2019

ORDER

WHEREAS:

- A. On January 31, 2019, FortisBC Energy Inc. (FEI) and Mt. Hayes (GP) Ltd., on behalf of Mt. Hayes Storage Limited Partnership (Mt. Hayes LP), submitted an application to the British Columbia Utilities Commission (BCUC) for approvals under Sections 50, 52, 54, 61 and 71 of the *Utilities Commission Act* (UCA) to reorganize the limited partnership arrangement (Proposed Reorganization) of Mt. Hayes LP, the beneficial owner of the Liquefied Natural Gas Storage Facility (LNG Storage Facility) located at Mt. Hayes, near Ladysmith, British Columbia (Application);
- B. The Proposed Reorganization in the Application represents a modification of the limited partnership arrangement approved by Order G-109-11A, dated July 7, 2011;
- C. The Proposed Reorganization includes:
 - 1. an amended and restated limited partnership agreement (the Amended and Restated LP Agreement);
 - 2. an amended and restated facility lease (the Amended and Restated Facility Lease); and
 - 3. the extinguishment of the existing loan agreement, demand promissory note, and general security agreement between FEI and Mt. Hayes LP in respect of the LNG Storage Facility;
- D. Under the Amended and Restated Facility Lease, FEI will continue to lease the LNG Storage Facility from Mt Hayes LP under a changed structure;

- E. The Amended and Restated LP Agreement was filed on a confidential basis with the BCUC as part of the Application. Consistent with the existing agreement, if any of the limited partners fail to fund their obligation to Mt Hayes LP, FEI may increase their number of voting limited partnership units in Mt. Hayes LP, and at the end of the Amended and Restated Facility Lease FEI may acquire all the limited partnership units of Mt. Hayes LP;
- F. At the termination of the Amended and Restated Facility Lease, consistent with the existing agreement, FEI will acquire beneficial ownership of the LNG Storage Facility, either through a purchase of the LNG Storage Facility assets from Mt. Hayes LP or an acquisition of the limited partnership units in Mt. Hayes LP of the other limited partners;
- G. After the Proposed Reorganization, the rates of FEI will continue to be determined on the basis that the revenue requirements of FEI be established with the LNG Storage Facility in rate base at its depreciated value, with the LNG Storage Facility assets being subject to normal depreciation and earning a normal return on rate base. The rent payments from FEI to Mt. Hayes LP under its lease for the LNG Storage Facility, the distributions from Mt. Hayes LP to its partners and any tax paid on those distributions are to continue to be accounted for as non-utility transactions.
- H. FEI and Mt. Hayes LP state that the transactions proposed in the Application will not affect the operation and use of the LNG Storage Facility by FEI to provide service to its customers, will not affect the rates customers pay for the LNG Storage Facility, and will not change the nature of the existing First Nations ownership interests in Mt. Hayes LP;
- I. A copy of the Application was provided to registered interveners in FEI's Annual Review for the 2019 Delivery Rates proceeding;
- J. By Order G-44-19 dated February 28, 2019, the BCUC established a regulatory timetable for review of the Application, which included one round of BCUC information requests, submissions from stakeholders, and FEI responses to stakeholder submissions;
- K. No stakeholder submissions were received by the BCUC; and
- L. The BCUC has reviewed the Application and considers that approval is warranted.

NOW THEREFORE pursuant to sections 50, 52, 54, 61 and 71 of the UCA, the BCUC orders as follows:

- 1. The Amended and Restated Facility Lease filed with the Application to replace the existing facility lease (approved by Order G-109-11A), is approved.
- 2. FEI is directed to file an executed copy of the Amended and Restated Facility Lease with the BCUC within 30 days of its execution.
- 3. The lease payment determined under the Amended and Restated Facility Lease is approved as the rate that Mt. Hayes LP will charge FEI for the use of the LNG Storage Facility.
- 4. Any changes in the ownership interests of Mt. Hayes LP, made in accordance with the Amended and Restated LP Agreement or at termination of the Amended and Restated Facility, are approved. All changes in the ownership interests in Mt. Hayes LP are to be reported to the BCUC within 30 days of the changes coming into effect.

5. The future disposition of the LNG Storage Facility by Mt. Hayes LP to FEI under the terms set out in the Amended and Restated Facility Lease at the termination of the lease is approved.
6. FEI's rates charged to customers for natural gas service are to continue to be determined on the basis that FEI's revenue requirements be established with the LNG Storage Facility in rate base at its depreciated value, with the LNG Storage Facility assets being subject to normal depreciation and earning a normal return on rate base.
7. The loans from FEI to Mt. Hayes LP, the interest payments on those loans, the repayments on principal on those loans, the rent payments from FEI to Mt. Hayes LP under the Amended and Restated Facility Lease, the distributions from Mt. Hayes LP to its partners and any taxes paid on those distributions are to continue to be accounted for as non-utility transactions.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of April 2019.

BY ORDER

Original signed by:

T. A. Loski
Commissioner