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VIA E-MAIL

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August 18, 2004

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs
Terasen Gas (Vancouver Island) Inc.
16705 Fraser Highway
Surrey, B.C. V3S 2X7

Dear Mr. Thomson:

Re: Terasen Gas (Vancouver Island) Inc.
Filing of Resource Plan and
Certificate of Public Convenience and Necessity Application for a LNG Storage Project

Further to your June 21, 2004 filing of Terasen Gas (Vancouver Island) Inc.'s Resource Plan and the August 4, 2004 Certificate of Public Convenience and Necessity Application for a Liquefied Natural Gas Storage facility on Vancouver Island, we enclose Commission Order No. G-79-04 and Notice of Pre-Hearing Conference that is required to be published as soon as possible.

Yours truly,

Original signed by:

Robert J. Pellatt

RJP/cms
Enclosure(s)

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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-79-04

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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) August 18, 2004
P.E. Vivian, Commissioner)

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 ("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. In its cover letter to the Resource Plan, TGVI indicated that it expected to file an application for a Certificate of Public Convenience and Necessity ("CPCN") in late July with the Commission seeking approval of the Liquefied Natural Gas ("LNG") facility recommended in the Resource Plan; and
- C. On August 4, 2004, TGVI filed with the Commission an application for a CPCN to construct and operate a new LNG Storage Facility at a location referred to as Mount Hayes in the Cowichan Valley Regional District in the vicinity of Ladysmith ("CPCN Application"); and
- D. In both its June 21 and August 4 filings, TGVI requested that the Commission's review of its Resource Plan and the CPCN Application take place concurrently or jointly as part of the regulatory review and approval process required; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-79-04

2

- E. By letter dated June 30, 2004 to TGVI, the Commission indicated that before making a determination on whether to review the Resource Plan and the CPCN Application jointly or in separate processes, the Commission would like to hear from interested parties and established a written process to seek comments on, and preference for, either a joint process or separate process and the appropriate timing of the CPCN process, assuming separate processes; and
- F. By copy of the June 30, 2004 letter, TGVI stakeholders who have been involved in the Resource Plan and CPCN consultative processes were invited to provide comments to the Commission by July 19, 2004 and TGVI was invited to respond to the comments by July 30, 2004; and
- G. Comments were received from the Vancouver Island Gas Joint Venture ("Joint Venture"), British Columbia Hydro and Power Authority and the Ministry of Energy & Mines. A response was also received from TGVI; and
- H. The Commission has reviewed the submissions and comments received and considers that the Resource Plan and the CPCN Application should be heard concurrently in a combined regulatory review process with an oral hearing for the Resource Plan to precede, as appropriate, an oral hearing for the CPCN Application; for greater certainty, the Commission anticipates that one evidentiary record would be established to support respective decisions on the Resource Plan and CPCN Application following the oral hearing and an argument stage; and
- I. The Commission also considers that before a formal Regulatory Agenda is established, a Pre-Hearing Conference should be held to consider issues and procedural matters associated with the Resource Plan and CPCN Application, including timing and steps in the review process.

NOW THEREFORE the Commission orders as follows:

- 1. A Pre-Hearing Conference will be held before the Commission Panel on Monday, September 13, 2004 commencing at 1:00 p.m. on the Fourth Floor of 855 Homer Street in Vancouver, to address procedural matters which will include, but may not be limited to, the following:
 - identification of the principal issues arising from or related to the Resource Plan and the CPCN Application, including the identification of common issues;
 - steps and timetable associated with a combined regulatory review process, including potential workshop(s), information requests and responses, intervenor evidence, argument, etc.;
 - locations and dates for the oral hearing; and
 - other matters that will assist the Commission to efficiently review the Resource Plan and the CPCN Application.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-79-04

3

2. After the Pre-Hearing Conference, the Commission will issue a further procedural Order and Regulatory Agenda.
3. TGVI will publish, as soon as possible, in display-ad format, the Notice of Pre-Hearing Conference, attached as Appendix A, in the Victoria Times Colonist, the Vancouver Sun and Province and such appropriate local news publications as may properly provide adequate notice to the public in its service areas, particularly those in the vicinity of Ladysmith.
4. The Resource Plan and CPCN Application, together with any supporting materials, will be made available for inspection at TGVI offices in Nanaimo and Victoria, at the Terasen Gas Inc. Vancouver Head Office and Surrey Office, and at the Commission's office.
5. TGVI is to provide a copy of this Order, by facsimile or electronically if possible, to all Intervenors and Interested Parties registered in its 2003/05 Revenue Requirements and 2003 Rate Design proceedings, as soon as possible.
6. Intervenors and Interested Parties should register with the Commission, in writing, by Wednesday, September 8, 2004 and advise whether they intend to attend the Pre-Hearing Conference. Intervenors should specifically state the nature of their interest in either or both of the Resource Plan or CPCN Application and identify generally the nature of the issues that they may intend to pursue during the proceeding and the nature and extent of their anticipated involvement in the proceeding.
7. Participants will submit initial Information Requests to TGVI by Monday, September 20, 2004 and TGVI will respond to the Information Requests by Monday, October 4, 2004.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of August 2004.

BY ORDER

Original signed by:

Lori Ann Boychuk
Panel Chair and Commissioner

Attachment



Terasen Gas (Vancouver Island) Inc.
Resource Plan for Vancouver Island and Sunshine Coast
Application for a Certificate of Public Convenience and Necessity
For Liquefied Natural Gas Storage Project

NOTICE OF PRE-HEARING CONFERENCE

Date: Monday, September 13, 2004
Time: 1:00 p.m.
Location: Fourth Floor
855 Homer Street
Vancouver, B.C.

THE SUBMISSIONS

Terasen Gas (Vancouver Island) Inc. ("TGVI") submitted its 2004 Resource Plan for Vancouver Island and the Sunshine Coast ("Resource Plan") to the British Columbia Utilities Commission ("Commission") pursuant to Section 45(6.1) of the Utilities Commission Act (the "Act") and the Commission's Resource Planning Guidelines. Resource Planning supports the selection of resources that will ensure the cost effective delivery of secure and reliable energy services for ratepayers over the long run. The TGVI Resource Plan evaluates demand and supply options over a long term planning horizon, and assesses impacts and tradeoffs related to such matters as rates and rate stability, reliability, security of supply, risk mitigation and specific social or environmental characteristics. TGVI's Resource Plan concluded that Liquefied Natural Gas ("LNG") storage is the preferred resource addition to meet forecast load growth, including service to gas-fired electricity generators on Vancouver Island.

TGVI applied to the Commission pursuant to Section 45 of the Act for a Certificate of Public Convenience and Necessity for a LNG Storage Project ("CPCN Application"). The project consists of a LNG storage facility at Mount Hayes, approximately six kilometres northwest of Ladysmith, two pipelines to connect the storage facility to the TGVI transmission system and related facilities. The estimated cost of the project is \$94.4 million and it is proposed to be in service by mid-2007. The LNG storage facility would have a useable capacity of 1,070 terajoules (one billion standard cubic feet of gas) and could provide approximately 100 terajoules per day (100 million standard cubic feet per day) of natural gas to the TGVI system.

THE REGULATORY PROCESS

The Commission Panel has determined that the Resource Plan and the CPCN Application will be heard concurrently in a combined regulatory review process, with the oral hearing for the Resource Plan to precede, as appropriate, the oral hearing for the CPCN Application. The Commission Panel anticipates that one evidentiary record will be established to support decisions on the Resource Plan and the CPCN Application.

The Commission Panel will hold a Pre-Hearing Conference on Monday, September 13, 2004 commencing at 1:00 p.m. on the Fourth Floor, 855 Homer Street, Vancouver, B.C. to address procedural matters which will include, but not be limited to the following:

- identification of the principal issues arising from or related to the Resource Plan and the CPCN Application [including the identification of common issues],
- steps and timetable associated with a combined regulatory review process [workshop(s), information requests, responses, intervenor evidence, argument, etc.],
- locations and dates for the oral proceeding, and
- other matters that will assist the Commission Panel to efficiently review the Resource Plan and the CPCN Application.

Following the Pre-Hearing Conference, the Commission Panel will issue to registered parties a further procedural order and regulatory agenda.

Participants will submit initial Information Requests to TGVI by Monday, September 20, 2004 and TGVI will respond to the Information Requests by Monday, October 4, 2004.

PUBLIC INSPECTION OF THE DOCUMENTS

The Resource Plan and CPCN Application and supporting material will be made available for inspection at the Nanaimo and Victoria offices of TGVI, the Terasen Gas Inc. Surrey Office at 16705 Fraser Highway and Head Office at 1111 West Georgia Street, Vancouver, B.C., V6E 4M4, and the British Columbia Utilities Commission office, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.

The Resource Plan and CPCN Application are available for viewing on TGVI's website at www.terasengas.com.

INTERVENTIONS

Persons who expect to actively participate in the TGVI proceeding should register as Intervenors with the Commission, in writing, by Wednesday, September 8, 2004, identifying their interest in either or both of the Resource Plan and the CPCN Application and indicating whether they plan to attend the Pre-Hearing Conference. Intervenors should identify the issues that they intend to pursue and the nature and extent of their anticipated involvement in the review process. Intervenors will receive copies of the Resource Plan and CPCN Application and all correspondence and filed documentation and should provide an e-mail address if available.

Persons not expecting to actively participate, but who have an interest in the proceeding should register as Interested Parties with the Commission, in writing, by Wednesday, September 8, 2004, identifying their interest in either or both of the Resource Plan and the CPCN Application and indicating whether they plan to attend the Pre-Hearing Conference. Interested Parties will receive a copy of the Resource Plan's Executive Summary, the Application section of the CPCN Application and all Orders and Decisions issued.

FURTHER INFORMATION

For further information, please contact Mr. Robert J. Pellatt, Commission Secretary, as follows:

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