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September 30, 2010

British Columbia Utilities Commission  
Sixth Floor  
900 Howe Street  
Vancouver, B.C.  
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. ("TGI" or the "Company")  
Application ("Application") for a Certificate of Public Convenience and  
Necessity ("CPCN") for the Kootenay River Crossing (Shoreacres) Upgrade  
Project  
Response to the British Columbia Utilities Commission ("BCUC" or the  
"Commission") Information Request ("IR") No. 1**

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On July 15, 2010, Terasen Gas filed the Application as referenced above. In accordance with Commission Order No. G-133-10 setting out the Regulatory Timetable for the review of the Application, TGI respectfully submits the attached response to BCUC IR No. 1.

If there are any questions regarding the attached, please contact Diane Roy at (604) 576-7349.

Yours very truly,

**TERASEN GAS INC.**

***Original signed by: Diane Roy***

**For:** Tom A. Loski

Attachment

cc (e-mail only): Registered Parties



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") An Application for a Certificate of Public Convenience and Necessity ("CPCN") for the Kootenay River Crossing (Shoreacres)	Submission Date: September 30, 2010
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**1.0 Reference: Exhibit B-1, Sec. 9.1, p. 56**

**Identification of First Nations**

"TGI has identified three First Nations with asserted claims in the area of the Project."

- 1.1 Did TGI or the Oil and Gas Commission (OGC) identify the First Nations with asserted claims in the area? If it was TGI, did the OGC provide assistance or guidance in the identification?

**Response:**

TGI originally identified the KNC, the ONA and the Sinixt Nation Society as the organizations representing the First Nations with potentially asserted claims in the area of the Project. Since the submission of the CPCN application, TGI has received an email from the OGC (included as Attachment 1.1) identifying three individual ONA bands and the Shuswap Indian Band for consultation. TGI has provided information letters to each of the bands as requested by the OGC in its email (see Attachment 1.1 for the information letters). In identifying the potentially impacted First Nations, the OGC refers to the Integrated Land Management Bureau's First Nation Initiatives Division ("FNID") database FNQ2.

- 1.2 Did TGI have separate interactions with the individual member bands of the ONA or the KNC?

**Response:**

TGI began preliminary discussions with the Lower Similkameen Indian Band, Penticton Indian Band, Osoyoos Indian Band and the Shuswap Indian Band after the OGC identified the need to consult with these First Nations individually. TGI sent letters to each of those individual Bands on September 13, 2010, which provided an overview of the Project, the construction that is necessary for the Project, the permits and approvals that are necessary, as well as a map of the area of the Project (see the letters provided in Attachment 1.1 in the response to BCUC IR 1.1.1).

TGI has not had separate interactions with the individual member bands of the KNC. The OGC has a Consultation Agreement with KNC, which was referenced in the OGC email (please refer to the email in Attachment 1.1 in the response to BCUC IR 1.1.1). Under the Consultation Agreement between the OGC and the KNC, the KNC represents the Akisqnuq First Nation, Lower Kootenay Band, St. Mary's Indian Band and Tobacco Plains Indian Band.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") An Application for a Certificate of Public Convenience and Necessity ("CPCN") for the Kootenay River Crossing (Shoreacres)	Submission Date: September 30, 2010
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- 1.2.1 Does TGI have written confirmation from the ONA and KNC member bands or from the OGC that the ONA and the KNC represent every one of their member bands for consultation on the Project?

**Response:**

TGI has written confirmation (see Attachment 1.2.1 filed confidentially) from the ONA that it represents seven First Nation communities (Lower Similkameen Indian Band, Penticton Indian Band, Osoyoos Indian Band, West Bank Indian Band, Okanagan Indian Band, Upper Similkameen Indian Band, and Upper Nicola Indian Band). TGI does not have written confirmation from the KNC that it represents all of its members. However, as discussed in the response to BCUC IR 1.1.2, the OGC has a Consultation Agreement with KNC, which provides for consultation with the KNC on behalf of Akisqnuq First Nation, Lower Kootenay Band, St. Mary's Indian Band and Tobacco Plains Indian Band.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") An Application for a Certificate of Public Convenience and Necessity ("CPCN") for the Kootenay River Crossing (Shoreacres)	Submission Date: September 30, 2010
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**2.0 Reference: Exhibit B-1, Sec. 9.3.2, p. 58**

**Funding to First Nations**

"On April 19, 2010, TGI telephoned and emailed Mr. Johnson of the ONA, informing him about the upcoming project meeting and following up on the proposed initial funding agreement."

2.1 To date, has TGI provided the ONA with funding? If so, what specific deliverables are required from the ONA for acceptance of the funding?

**Response:**

TGI has committed to the ONA initial capacity funding (See Confidential Attachment 1.2.1 in the response to BCUC IR 1.1.2.1). The funding is to cover the cost incurred by the ONA to monitor archaeological activities and review the project as it progresses through the construction phase.

2.1.1 Has TGI provided the KNC or the Sinixt with funding to date? If so, what specific deliverables are required from the First Nations for acceptance of the funding?

**Response:**

TGI has not provided KNC with any funding to date. TGI is in the process of negotiating capacity funding with the Sinixt, which is intended to cover their costs to review the project as well as have a representative participate in the archaeological field study.



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**3.0 Reference: Exhibit B-1, Sec. 9.3.2, p. 59**

**TGI's Interaction with the Okanagan Nation Alliance**

"Mr. Johnson also stated that the proposed Project was not close to any ONA members' reserve."

- 3.1 What significance does TGI place on this statement relative to its interaction with the ONA?

**Response:**

TGI considers this statement to mean that the Kootenay River crossing is remote from any ONA member reserve lands. If a project is close to reserve lands, then this may indicate a greater possibility that aboriginal rights may be exercised in the area. Although the fact that a project is far from reserves does not necessarily indicate that aboriginal rights are not exercised in the area, the fact that the ONA said the proposed Project is not close to any ONA members' reserve reaffirms TGI's belief that this Project will not have a significant impact on the ONA or its member First Nations.



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#### **4.0 Reference: Exhibit B-1, Sec. 9.5, p.61**

##### **Conclusion on First Nations Consultation**

TGI states "The physical impacts of the Project are limited...TGI believes that there is very limited potential to affect aboriginal rights and title in the area of the Project. The level of consultation undertaken by the OGC with the assistance of TGI at this stage of the Project has been appropriate."

- 4.1 Were personnel from the OGC consulting with the ONA, KNC and Sinixt from January 2010 to present, the same time as TGI representatives were engaging with the three groups?

##### **Response:**

The OGC has identified the First Nations that will need to be consulted, and explained what information TGI needs to provide to those First Nations, but as TGI understands it, the OGC has not begun contacting First Nations directly because it has not begun to process TGI's application. TGI has been in regular contact with the OGC regarding its application for this Project and has informed the OGC of the information that TGI has provided to the ONA, KNC, and Sinixt, for instance, by copying the OGC on correspondence that it has sent to the First Nations explaining the Project and seeking their input.

- 4.2 Did OGC or TGI assess the impacts of the Project on Aboriginal rights?

##### **Response:**

At this time TGI is not aware whether the OGC has begun its assessments of the potential impact of the Project. However, the OGC is the Crown agent responsible for conducting consultation with the First Nations in this Project and the consultation is carried out as part of the OGC's Pipeline Application process.

Under the OGC process, TGI is responsible for conducting preliminary discussions with the identified First Nation groups. To this end, TGI has considered the potential physical impacts of the Project and whether it is likely to affect an aboriginal right in the area of the Project, if any is exercised in the area. In particular, TGI considered whether the Project could impact an aboriginal right to harvest, hunt or fish. Because the Kootenay River Crossing is small, and will be 30 metres below the riverbed, TGI believes that it is not likely to affect the ability to fish in the area. In addition, the Project will disturb less than 1 acre of land on each side of the river and the construction will only take approximately 4 months. Therefore, any impact on hunting or harvesting during that time will be minimal, if any.

<p>Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") An Application for a Certificate of Public Convenience and Necessity ("CPCN") for the Kootenay River Crossing (Shoreacres)</p>	<p>Submission Date: September 30, 2010</p>
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#### 4.2.1 What specific Aboriginal right(s) does the Project potentially adversely impact?

##### **Response:**

The Project could potentially impact an aboriginal right to hunt or harvest that may be exercised in the area. TGI considers the likelihood of any impact to be very low.

While TGI has not heard any concerns expressed by the First Nation groups it has engaged, the pipeline right of way, owned by TGI, could be used for hunting access. During the construction phase of the project, access to the pipeline right of way in the area will be limited only in the specific areas designated for construction on the west and east sides of the river crossing. Once the project is completed, the aerial crossing will be removed and the pipeline crossing will be underground and access to the pipeline right of way would return to normal.

#### 4.3 What changes have been made to the Project based on First Nations' input?

##### **Response:**

TGI has received input from the Sinixt requesting that TGI use an archaeologist who is unaffiliated with any First Nation. TGI has identified an archaeologist, who has been approved by the Sinixt and has now been contracted by TGI. The ONA has also approved this new archaeologist and TGI received no objection from the KNC after informing them of the new archaeologist. The new archaeologist has proposed a new archaeological assessment which provides a greater level of review. This review requires a permit from the Archaeology Branch, Ministry of Tourism, Culture and the Arts. The permitting process may result in a delay of the planned winter construction schedule if heavy frost precludes completion of the proposed archaeological digs planned for the fall of 2010.

#### 4.4 Since providing the CPCN Application to First Nations, has TGI heard any comments or concerns from any First Nations?

##### **Response:**

The only comment that TGI has received was from the Sinixt requesting TGI use an archaeologist who is unaffiliated with any First Nation. See also the response to BCUC IR 1.4.3.



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4.4.1 Does TGI know if the OGC has received any opposition to the project from First Nations? If so, please provide details.

**Response:**

TGI has no knowledge of the OGC receiving any opposition to the project.



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## 5.0 Reference: Exhibit B-1, Appendix P, Ktunaxa Nation Council, p. 2

### First Nations Information

"However, the Nation also contains descendants of the Kinbasket family, a small group of Shuswap (Secwepemc) people who journeyed east from Shuswap territory in the mid-1800's into Ktunaxa territory looking for a permanent home."

- 5.1 Do the Shuswap Indian Band, formerly known as the Kinbasket people, consider themselves part of the Ktunaxa Nation?

#### Response:

As published in the 2008 Shuswap Indian Band traditional land use study, which can be viewed at [http://www.shuswapband.net/\\_pdfs/Shuswap\\_LandUseStudy.pdf](http://www.shuswapband.net/_pdfs/Shuswap_LandUseStudy.pdf) (see Introduction page XV), "The Kenpesq't, or Shuswap Indian Band, is a member of the Secwépemc (Shuswap) Nation, an interior Salish speaking people who traditionally occupied a vast area in the south-central part of British Columbia, Canada."

- 5.2 Why were members of the Shuswap Nation not identified as potentially impacted by the Project?

#### Response:

TGI contacted the Lakes Division of the Secwepemc Nation, whose communities appear to be located closer to the Project than the other Secwepemc Nation communities. A representative of the Lakes Division informed TGI that it did not need to be consulted on the Project (see email included in Attachment 5.2). The Shuswap Indian Band was not originally identified as potentially impacted because when the map of its traditional territory was first reviewed, it did not seem to extend to the Project location. The Shuswap Indian Band's community is located near Invermere, B.C., which is fairly far away from the Project.

After the OGC identified the Shuswap Indian Band, TGI sent them a letter that provides an overview of the Project, the construction that is necessary for the Project, the permits and approvals that are necessary, as well as a map of the area of the Project (see letter provided in Attachment 1.1 in response to BCUC IR 1.1.1). To date, TGI has not received a response.



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**6.0 Reference: Exhibit B-1, Appendix Q, OGC Pipeline Manual First Nations Consultation Section, pp. 33-34**

**Consultation Process**

- 6.1 Does the TGI Kootenay River Project fall under the OGC's First Nations Consultation and Aboriginal Community Notification process (Section 6.2.1.4) or the First Nations Notification process (Section 6.2.1.5)?

**Response:**

As a new Pipeline Application the TGI Kootenay River Project falls under the OGC's First Nations Consultation and Aboriginal Community Notification process (Section 6.2.14) in the Pipelines and Facilities Manual. The First Nations Notification process (Section 6.2.15) applies only to "minor revisions or amendments" of Pipeline Applications.



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## **7.0 Reference: Deferral Accounting Treatment**

### **Exhibit B-1, Section 6.3, p. 48**

- 7.1 If the remaining plant in service was operated from July 1, 2011 until the end of that calendar year, what would be the cost of service (including depreciation, income taxes and earned return) of operating that plant?

#### **Response:**

As the existing pipeline crossing was put in service in 1957, the net book value for the pipeline is only \$166,000 at July 2011 (refer to Page 48 of the Application). The total cost of service of the existing crossing from July 1, 2011 to the end of year 2011 is estimated to be \$12,000.

TGI has estimated the total cost of service to operate the proposed plant from July 1, 2011 to the end of 2011 to be about \$284,000, \$272,000 higher than the cost of service to operate the existing plant. However, neither the cost of service for the existing plant (i.e. \$12,000) nor some minor O&M and property tax impacts (refer to the Appendix H, page 1, points 5 and 6) were included in the estimated incremental cost of service for deferral purposes since TGI considered the amounts to be immaterial.

As stated in the Application, TGI believes that to ensure the integrity of the existing pipeline crossing, it is imperative and in the public interest to replace the existing pipeline with the recommended alternative as stated in the Application. TGI further believes that it is fair and appropriate to recover the costs associated with the project commencing when the asset is available for use, estimated at July 1, 2011.

- 7.2 How does TGI's estimate of cost of service for July 1, 2011 to the end of that calendar year of the new plant amounting to \$0.284M compare to the cost of service budgeted for the old plant? Quantify the amount.

#### **Response:**

Please see the response to BCUC IR 1.7.1.

- 7.3 Should the deferral of cost of service amounts from July 1, 2011 until the end of the calendar year be for the full amount of the service or for the incremental



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difference between the existing plant and the proposed plant as the existing plant amount was already included in the 2011 revenue requirements calculation?

**Response:**

Please see the response to BCUC IR 1.7.1.



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## **8.0 Reference: Financial Assumptions**

### **Exhibit B-1, Appendix H**

- 8.1 Please explain how TGI's LTD and STD interest rates were determined and explain how they compare to current interest rate experienced by TGI.

#### **Response:**

TGI's LTD and STD rates referenced in Exhibit B-1, Appendix H are from TGI's compliance filing on December 21, 2009 in respect of BCUC Order No. G-158-09 regarding the BCUC Decision on Terasen Utilities Return on Equity and Capital Structure Application; and in respect of BCUC Order No. G-141-09 regarding TGI 2010 – 2011 Revenue Requirement Negotiated Settlement Agreement. The methodology for development of the rates was discussed on pages 470 through 472 of the Revenue Requirement Application.

For 2010 the embedded cost of long term debt and short term debt is 6.952% and 2.25% respectively (Attachment B, Section C, Tab 13, Schedule 10, Lines 10 and 11). For 2011 and forward the embedded cost of long term debt and short term debt is 6.945% and 4.5% respectively (Attachment B, Section C, Tab 13, Schedule 11, Lines 10 and 11). The two schedules are included as Attachment 8.1.

Based on current market conditions as of the week of September 27<sup>th</sup>, TGI is borrowing on a short term basis at approximately 1.10% to 1.20%. TGI has not recently been in the market for long term debt. The indicative interest rates at which TGI may issue long term debt as of September 27, 2010 were approximately 4.00% for 10 year debt and 4.85% for 30 year debt.

However, it should be noted that, for determination of cost of service impacts, the appropriate cost of capital is the average cost of capital to finance the utility's total invested capital and operations, not the current incremental cost of borrowing. Also, as most recently approved by Commission Order No. G-141-09 for TGI, any variances in the actual borrowing rate versus the approved forecast rate would be captured by the interest deferral account, and returned to or recovered from TGI's customers.

**Attachment 1.1**

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**From:** Christianson, Delia OGC:EX [mailto:Delia.Christianson@gov.bc.ca]  
**Sent:** August 30, 2010 9:21 AM  
**To:** Bolger, Neil  
**Cc:** Zimmer, Dean E OGC:EX; St Jean, Roger OGC:EX  
**Subject:** RE: Application Declined (Kootenay River Crossing (Shoreacres) Upgrade)

Hi Neil,

Just to recap our conversation from Friday:

I did a search of the First Nation Initiatives Division (FNID) database (FNQ2) and found that this project location is within the consultation areas for the following communities. I have also contacted the FNID contacts for these areas to confirm the structure of Band Councils and Alliances.

OGC has a Consultation Agreement with **Ktunaxa Nation Council**. We will need one consultation package for them which will cover off the Akisqnuq First Nation, Lower Kootenay Band, St. Mary's Indian Band and Tobacco Plains Indian Band. Contact info for Ktunaxa is:

7468 Mission Road, Cranbrook, B.C. V1C 7E5  
Phone 250-489-2464 Fax 250-489-5760

**Okanagan Nation Alliance** will need an information package. The following are members of the Okanagan Nation Alliance and will require full individual consultation:

**Lower Similmakeen Indian Band**

PO Box 100 Keremeos B.C., V0X 1N0  
Phone 250-499-5528 Fax 250-499-5538

**Penticton Indian Band**

RR2, Site 80, Comp 19, Penticton, B.C. V2A 6J7  
Phone 250-493-0048 Fax 250-493-2882

**Osoyoos Indian Band**

RR3, Site 25, Comp 1, Oliver, B.C. V0H 1T0  
Phone 250-498-3444 Fax 250-498-6577

The **Shuswap Indian Band** is no longer part of the Ktunaxa Nation Council and will need to be consulted individually. Their contact info is:

PO Box 790, Invermere, B.C. V0A 1K0  
Phone 250-342-6361 Fax 250-342-2948

As we discussed, please provide packages for all of these groups (6 packages) and the OGC will prepare a cover letter for the communities. Please have your land agent prepare the normal First Nation Packages for submission at the time of application. Please provide me with as much information as possible to include in the letter about what the application is for, why it is being done, methods, rationale, etc.

Hope this is helpful,

Delia



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**Delia Christianson**

First Nations Liaison Officer  
[Delia.Christianson@gov.bc.ca](mailto:Delia.Christianson@gov.bc.ca)

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Fort St. John BC V1J 6M7  
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**REGISTERED MAIL**

September 13, 2010

Lisa Montgomery-Reid  
Band Manager  
Lower Similkameen Indian Band  
517 – 7<sup>th</sup> Avenue  
P O Box 100  
Keremeos, BC V0X 1N0

Dear Lisa:

**RE: Kootenay River Crossing (Shoreacres) Upgrade**

Terasen Gas wishes to seek input from the Lower Similkameen Indian Band regarding a proposed project on the Kootenay River. Terasen has been working with the Okanagan Nation Alliance on this project as well.

Terasen Gas is planning decommissioning the existing pipeline at Terasen's Kootenay River aerial crossing near the community of Shoreacres and replacing it with approximately 880 m of new NPS 6 transmission pressure pipe installed using Horizontal Directional Drill technology. This project will address two primary concerns; the deteriorating condition of the crossing pipe and structure and slope stability concerns at the east terminus of the crossing. The existing crossing is nearing the end of its useful life and recent inspections have identified the need for significant refurbishment if it is to remain in service. The east end of the crossing is located on a steep slope and inspections have regularly identified surface sloughing as a concern.

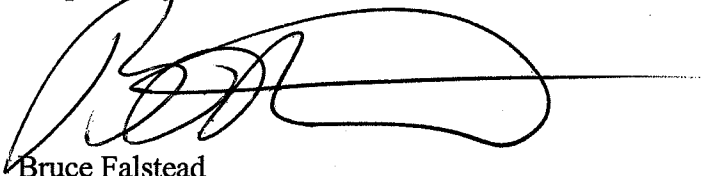
The new crossing begins on Terasen owned land near the west end of the existing crossing and will rejoin the existing right-of-way approximately 650 m north of the east terminus of the aerial crossing, thereby avoiding the area of slope instability at the east terminus. The new alignment will require approximately 475 m of new right-of-way. The installation of the new crossing and the decommissioning and removal of the existing crossing pipe and structure is being planned to occur in 2011.

Temporary working space may be required at certain locations during the Horizontal Directional Drill pipe string pull back and other installation staging. These working spaces will be included while securing right-of-way from Crown Land. A narrow strip of Crown Land will be needed for right-of-way for the new Horizontal Directional Drill alignment.

All required environmental permits and approvals for the project will be identified and applied for during the planning phase of the project. Agency notifications, permits and approvals are anticipated under, but not limited to, the Fisheries Act, Species at Risk Act, Navigable Waters Protection Act, Water Act, Forest and Range Practices Act, Heritage Conservation Act and Land Act. Terasen requires an approval from the British Columbia Oil and Gas Commission (OGC) to support this project as well as approval of a Certificate of Public Convenience and Necessity from the British Columbia Utilities Commission.

I look forward to working with you to address appropriate consultation with the Lower Similkameen Indian Band. I will be your main contact for the planning and permitting stages of this project and I can be reached at my office at: 604-592-7686 or on my cell phone at: 604-785-8947 also I am always available to discuss the project in person.

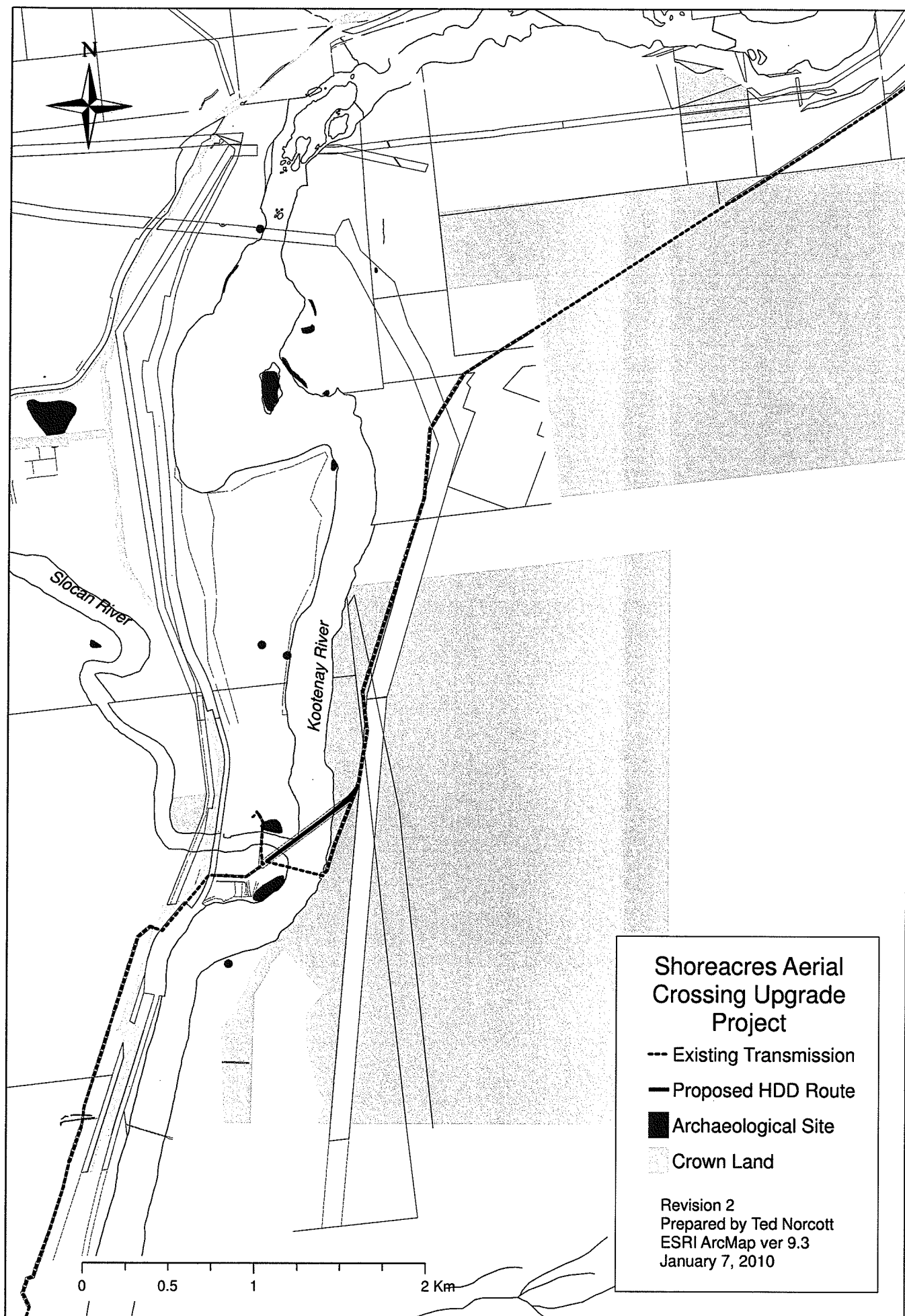
Respectfully,

A handwritten signature in black ink, appearing to read 'BF', followed by a long horizontal line extending to the right.

Bruce Falstead  
Aboriginal Relations Manager  
Terasen Gas Inc.

Attachment: Site Maps

Cc: Neil Bolger, Terasen Gas  
Oil and Gas Commission



**REGISTERED MAIL**

September 13, 2010

Steve Bryson  
Lands & Taxation  
Osoyoos Indian Band  
RR# 3 S 25 C 1  
Oliver, BC V0H 1T0

Dear Mr. Bryson:

**RE: Kootenay River Crossing (Shoreacres) Upgrade**

Terasen Gas wishes to seek input from the Osoyoos Indian Band Indian Band regarding a proposed project on the Kootenay River. Terasen has been working with the Okanagan Nation Alliance on this project as well.

Terasen Gas is planning decommissioning the existing pipeline at Terasen's Kootenay River aerial crossing near the community of Shoreacres and replacing it with approximately 880 m of new NPS 6 transmission pressure pipe installed using Horizontal Directional Drill technology. This project will address two primary concerns; the deteriorating condition of the crossing pipe and structure and slope stability concerns at the east terminus of the crossing. The existing crossing is nearing the end of its useful life and recent inspections have identified the need for significant refurbishment if it is to remain in service. The east end of the crossing is located on a steep slope and inspections have regularly identified surface sloughing as a concern.

The new crossing begins on Terasen owned land near the west end of the existing crossing and will rejoin the existing right-of-way approximately 650 m north of the east terminus of the aerial crossing, thereby avoiding the area of slope instability at the east terminus. The new alignment will require approximately 475 m of new right-of-way. The installation of the new crossing and the decommissioning and removal of the existing crossing pipe and structure is being planned to occur in 2011.

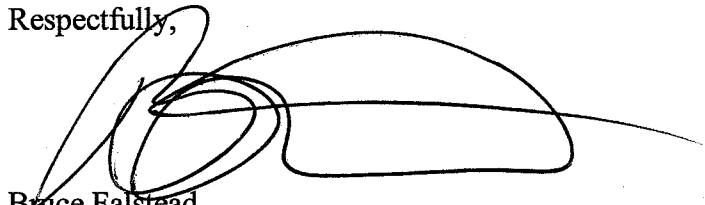
Temporary working space may be required at certain locations during the Horizontal Directional Drill pipe string pull back and other installation staging. These working spaces will be included while securing right-of-way from Crown Land. A narrow strip of Crown Land will be needed for right-of-way for the new Horizontal Directional Drill alignment.

All required environmental permits and approvals for the project will be identified and applied for during the planning phase of the project. Agency notifications, permits and

approvals are anticipated under, but not limited to, the Fisheries Act, Species at Risk Act, Navigable Waters Protection Act, Water Act, Forest and Range Practices Act, Heritage Conservation Act and Land Act. Terasen requires an approval from the British Columbia Oil and Gas Commission (OGC) to support this project as well as approval of a Certificate of Public Convenience and Necessity from the British Columbia Utilities Commission.

I look forward to working with you to address appropriate consultation with the Osoyoos Indian Band. I will be your main contact for the planning and permitting stages of this project and I can be reached at my office at: 604-592-7686 or on my cell phone at: 604-785-8947 also I am always available to discuss the project in person.

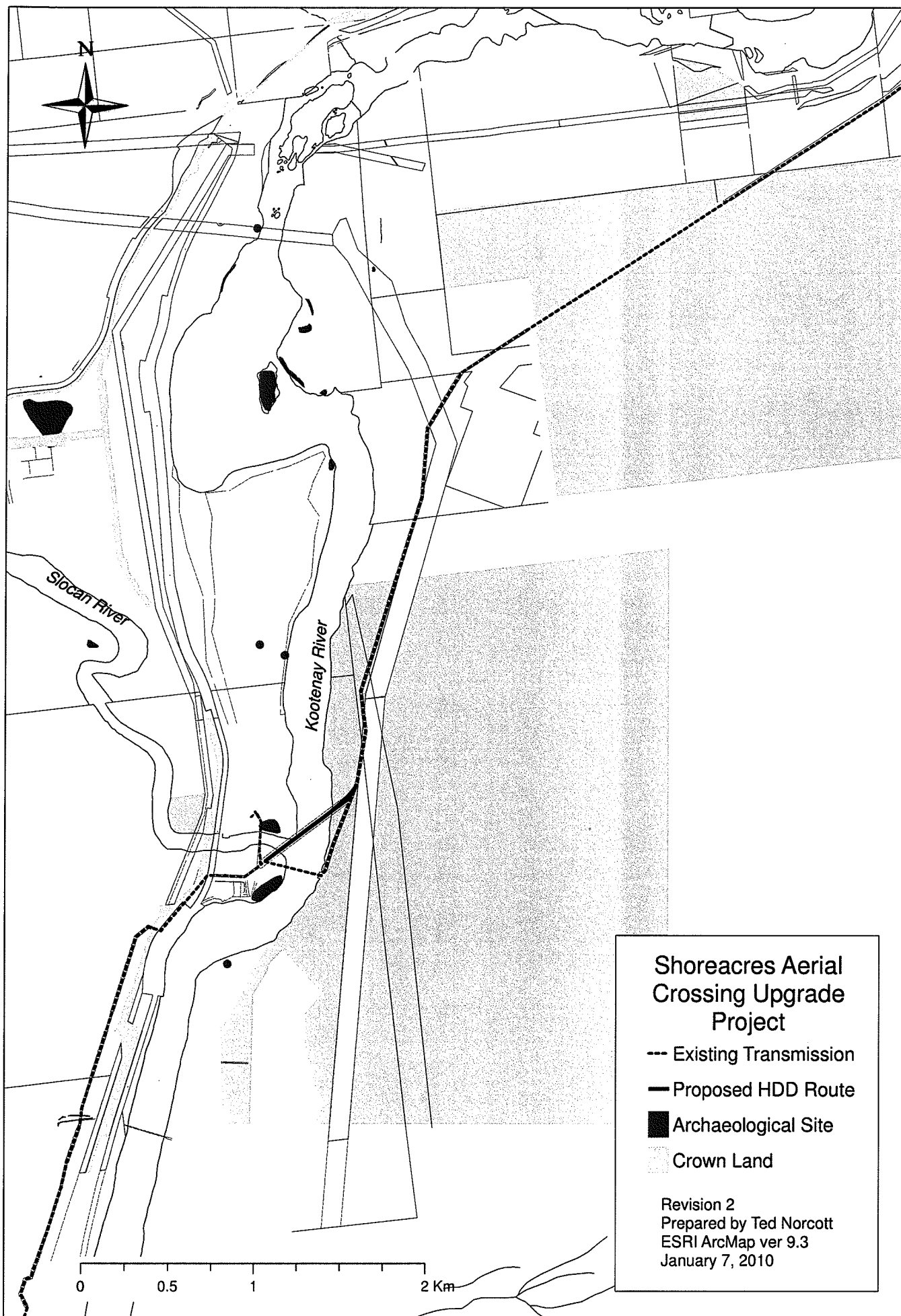
Respectfully,

A handwritten signature in dark ink, consisting of a large, stylized 'B' followed by a horizontal line that extends to the right and then loops back under the 'B'.

Bruce Falstead  
Aboriginal Relations Manager  
Terasen Gas Inc.

Attachment: Site Maps

Cc: Neil Bolger, Terasen Gas  
Oil and Gas Commission



# Shoreacres Aerial Crossing Upgrade Project

- Existing Transmission
- Proposed HDD Route
- Archaeological Site
- Crown Land

Revision 2  
Prepared by Ted Norcott  
ESRI ArcMap ver 9.3  
January 7, 2010

**REGISTERED MAIL**

September 13, 2010

Robert Greno, MCIP, General Manager,  
PIB Development Corp.  
Penticton Indian Band  
200 Westhills Drive  
RR#2 Site 80 Comp.19  
Penticton, B.C. V2A 6J7

Dear Mr. Greno:

**RE: Kootenay River Crossing (Shoreacres) Upgrade**

Terasen Gas wishes to seek input from the Penticton Indian Band Indian Band regarding a proposed project on the Kootenay River. Terasen has been working with the Okanagan Nation Alliance on this project as well.

Terasen Gas is planning decommissioning the existing pipeline at Terasen's Kootenay River aerial crossing near the community of Shoreacres and replacing it with approximately 880 m of new NPS 6 transmission pressure pipe installed using Horizontal Directional Drill technology. This project will address two primary concerns; the deteriorating condition of the crossing pipe and structure and slope stability concerns at the east terminus of the crossing. The existing crossing is nearing the end of its useful life and recent inspections have identified the need for significant refurbishment if it is to remain in service. The east end of the crossing is located on a steep slope and inspections have regularly identified surface sloughing as a concern.

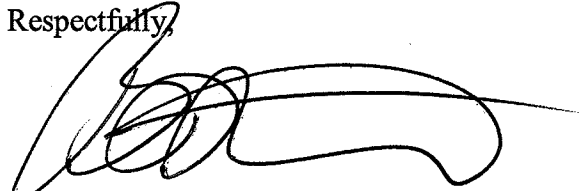
The new crossing begins on Terasen owned land near the west end of the existing crossing and will rejoin the existing right-of-way approximately 650 m north of the east terminus of the aerial crossing, thereby avoiding the area of slope instability at the east terminus. The new alignment will require approximately 475 m of new right-of-way. The installation of the new crossing and the decommissioning and removal of the existing crossing pipe and structure is being planned to occur in 2011.

Temporary working space may be required at certain locations during the Horizontal Directional Drill pipe string pull back and other installation staging. These working spaces will be included while securing right-of-way from Crown Land. A narrow strip of Crown Land will be needed for right-of-way for the new Horizontal Directional Drill alignment.

All required environmental permits and approvals for the project will be identified and applied for during the planning phase of the project. Agency notifications, permits and approvals are anticipated under, but not limited to, the Fisheries Act, Species at Risk Act, Navigable Waters Protection Act, Water Act, Forest and Range Practices Act, Heritage Conservation Act and Land Act. Terasen requires an approval from the British Columbia Oil and Gas Commission (OGC) to support this project as well as approval of a Certificate of Public Convenience and Necessity from the British Columbia Utilities Commission.

I look forward to working with you to address appropriate consultation with the Penticton Indian Band. I will be your main contact for the planning and permitting stages of this project and I can be reached at my office at: 604-592-7686 or on my cell phone at: 604-785-8947 also I am always available to discuss the project in person.

Respectfully,

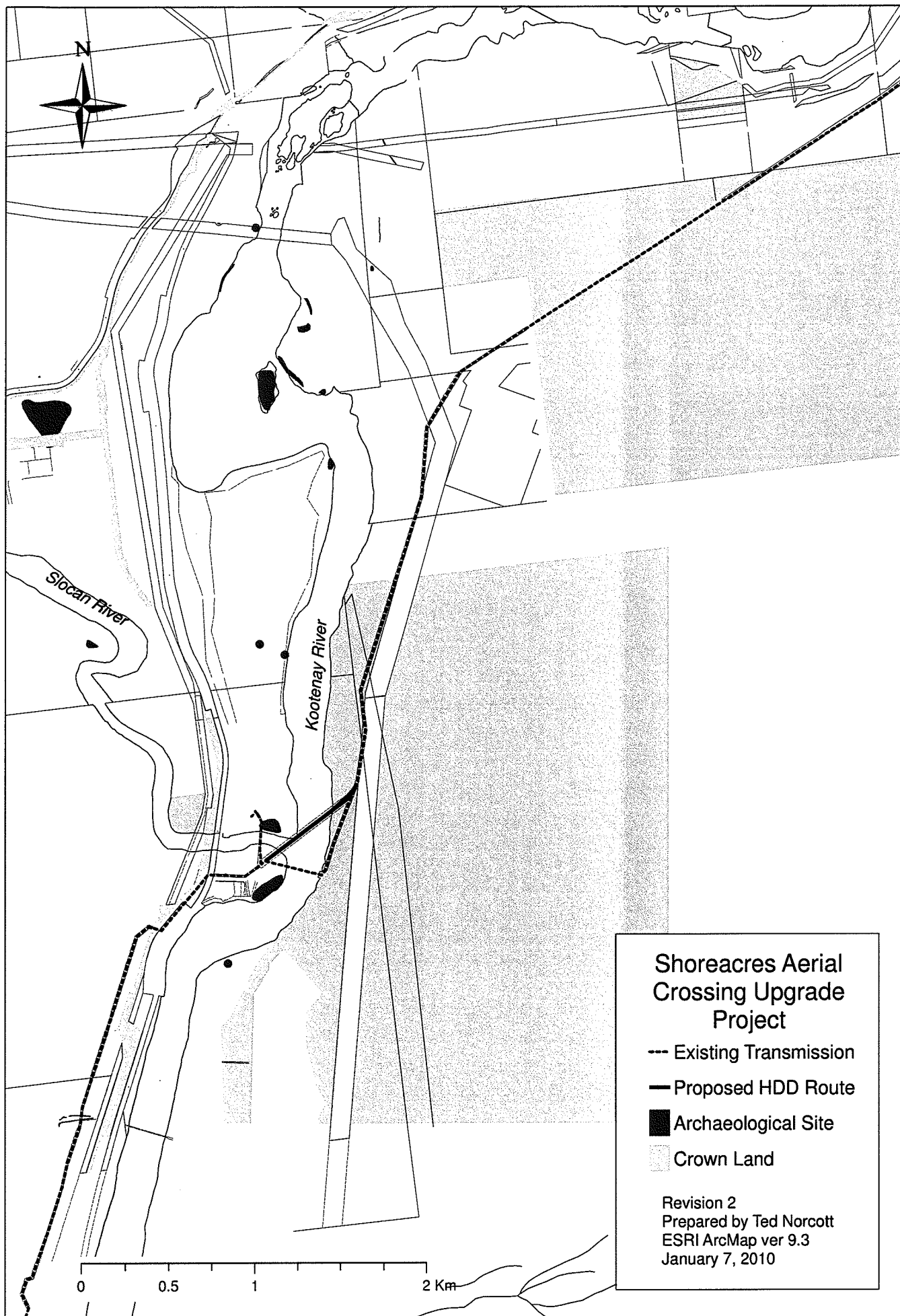
A handwritten signature in black ink, appearing to read 'Bruce Falstead', with a long horizontal flourish extending to the right.

Bruce Falstead  
Aboriginal Relations Manager  
Terasen Gas Inc.

Attachment: Site Maps

Cc: Neil Bolger, Terasen Gas  
Oil and Gas Commission





**REGISTERED MAIL**

September 13, 2010

Chief Paul Sam  
Shuswap Band  
PO Box 790  
Invermere, BC, V0A 1K0

Dear Chief Sam:

**RE: Kootenay River Crossing (Shoreacres) Upgrade**

Terasen Gas wishes to seek input from the Shuswap Band regarding a proposed project on the Kootenay River. Terasen Gas is planning decommissioning the existing pipeline at Terasen's Kootenay River aerial crossing near the community of Shoreacres and replacing it with approximately 880 m of new NPS 6 transmission pressure pipe. The new pipe will be installed using Horizontal Directional Drill technology. This project will address two primary concerns; the deteriorating condition of the crossing pipe and structure and slope stability concerns at the east terminus of the crossing. The existing crossing is nearing the end of its useful life and recent inspections have identified the need for significant refurbishment if it is to remain in service. The east end of the crossing is located on a steep slope and inspections have regularly identified surface sloughing as a concern.

The new crossing begins on Terasen owned land near the west end of the existing crossing and will rejoin the existing right-of-way approximately 650 m north of the east terminus of the aerial crossing, thereby avoiding the area of slope instability at the east terminus. The new alignment will require approximately 475 m of new right-of-way. The installation of the new crossing and the decommissioning and removal of the existing crossing pipe and structure is being planned to occur in 2011.

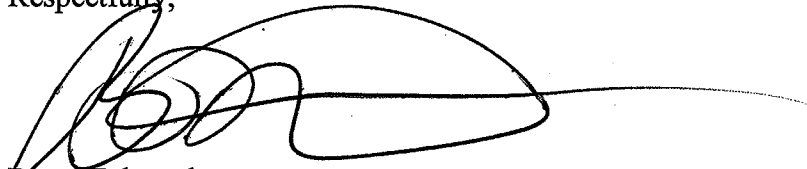
Temporary working space may be required at certain locations during the Horizontal Directional Drill pipe string pull back and other installation staging. These working spaces will be included while securing right-of-way from Crown Land. A narrow strip of Crown Land will be needed for right-of-way for the new Horizontal Directional Drill alignment.

All required environmental permits and approvals for the project will be identified and applied for during the planning phase of the project. Agency notifications, permits and approvals are anticipated under, but not limited to, the Fisheries Act, Species at Risk Act, Navigable Waters Protection Act, Water Act, Forest and Range Practices Act, Heritage Conservation Act and Land Act. Terasen requires an approval from the British Columbia

Oil and Gas Commission (OGC) to support this project as well as approval of a Certificate of Public Convenience and Necessity from the British Columbia Utilities Commission.

I look forward to working with you to address appropriate consultation with the Shuswap Band and I will be calling you in the near future. I will be your main contact for the planning and permitting stages of this project and I can be reached at my office at: 604-592-7686 or on my cell phone at: 604-785-8947 also I am always available to discuss the project in person.

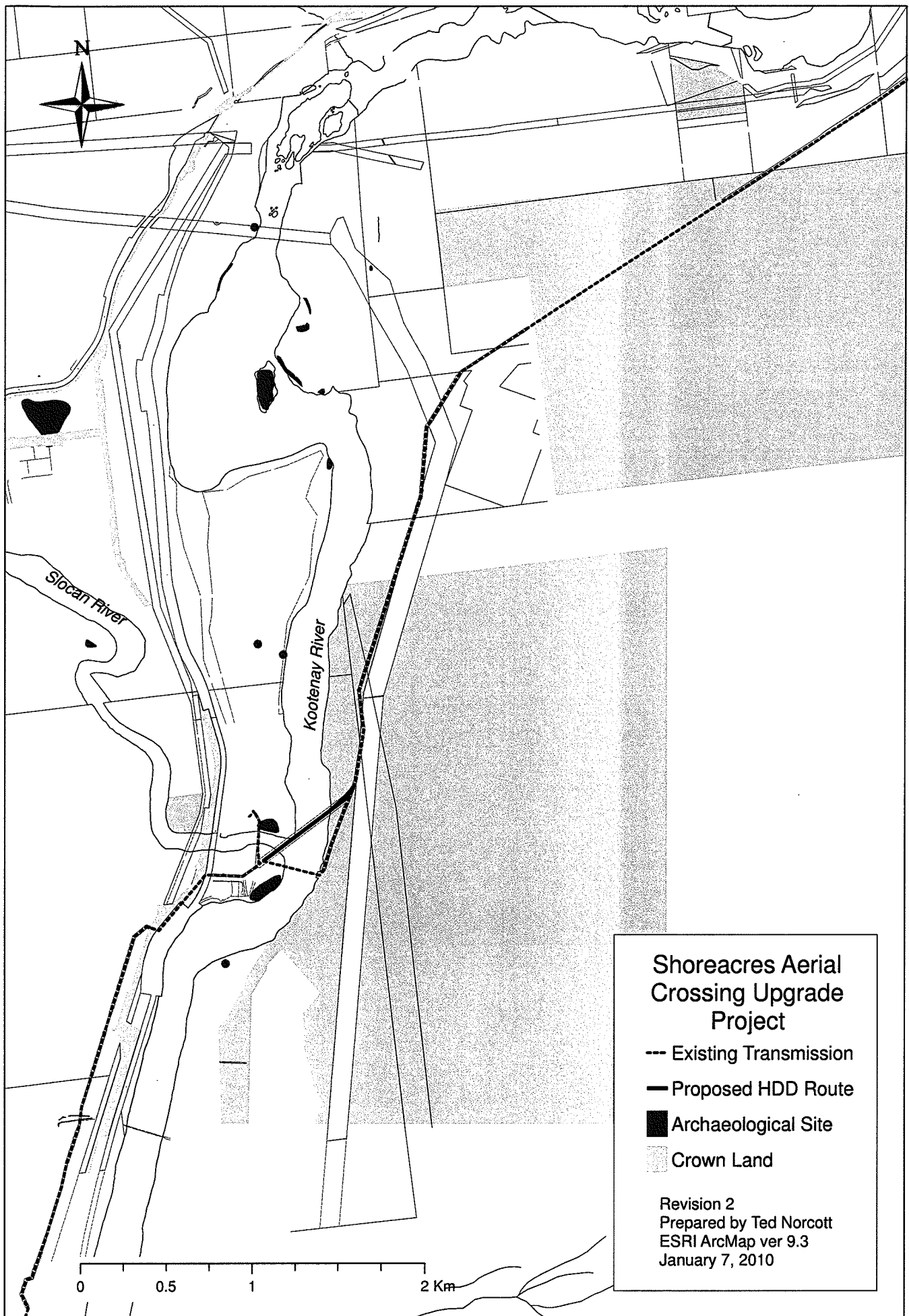
Respectfully;

A handwritten signature in black ink, appearing to read 'Bruce Falstead', with a long horizontal line extending to the right.

Bruce Falstead  
Aboriginal Relations Manager  
Terasen Gas Inc.

Attachment: Site Maps

Cc: Neil Bolger, Terasen Gas  
Oil and Gas Commission



**Attachment 1.2.1**

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**FILED CONFIDENTIALLY**

## **Attachment 5.2**

**From:** Sunny LeBourdais <svlebourdais@gmail.com>  
**To:** Falstead, Bruce  
**Sent:** Thu Jul 22 07:43:04 2010  
**Subject:** Re: proposed Kootenay River Crossing (Shoreacres) Upgrade project

Bruce we will not need to be consulted on work on the Kootenay River.  
Just do a good job with the Ktunaxa.

Falstead, Bruce wrote:  
Hi Sunny

Here is a one pager of the project.

Bruce

The proposed Kootenay River Crossing (Shoreacres) Upgrade project is the planned decommissioning of the existing pipeline at Terasen's Kootenay River aerial crossing near the community of Shoreacres and replacing it with approximately 880 m of new NPS 6 transmission pressure pipe installed using Horizontal Directional Drill technology. This project will address two primary concerns; the deteriorating condition of the crossing pipe and structure and slope stability concerns at the east terminus of the crossing. The existing crossing is nearing the end of its useful life and recent inspections have identified the need for significant refurbishment if it is to remain in service. The east end of the crossing is located on a steep slope and inspections have regularly identified surface sloughing as a concern.

The new crossing begins on Terasen owned land near the west end of the existing crossing and will rejoin the existing right-of-way approximately 650 m north of the east terminus of the aerial crossing, thereby avoiding the area of slope instability at the east terminus. The new alignment will require approximately 475 m of new right-of-way. The installation of the new crossing and the decommissioning and removal of the existing crossing pipe and structure is being planned to occur in 2011.

Temporary working space may be required at certain locations during the Horizontal Directional Drill pipe string pull back and other installation staging. These working spaces will be included while securing right-of-way from Crown Land. A narrow strip of Crown Land will be needed for right-of-way for the new Horizontal Directional Drill alignment.

All required environmental permits and approvals for the project will be identified and applied for during the planning phase of the project. Agency notifications, permits and approvals are anticipated under, but not limited to, the Fisheries Act, Species at Risk Act, Navigable Waters Protection Act, Water Act, Forest and Range Practices Act, Heritage Conservation Act and Land Act. Terasen requires an approval from the British Columbia Oil and Gas Commission (OGC) to support this project as well as approval of a Certificate of Public Convenience and Necessity from the British Columbia Utilities Commission.

---

From: Sunny LeBourdais [[svlebourdais@gmail.com](mailto:svlebourdais@gmail.com)]  
Sent: July 20, 2010 3:34 PM  
To: Falstead, Bruce  
Subject: Terasen information,

Hi Bruce,

I got your message. Just give me a one pager on the project and I can tell you what we will look at doing.

I also need some information for our project profiles that we do for all projects.

- 1) Map of the Terasen area or distribution lines throughout interior
- 2) Start and end dates for annual BCUC planning and applications
- 3) BC Tax revenue afforded because of the use of the lines
- 4) Project profits for Terasen from distribution lines

and Key features of the integrated energy plans

This would be great.

Cheers,  
Sunny

This e-mail is the property of Terasen Inc. and/or its affiliates and may contain confidential material for the sole use of the intended recipient(s). Any review, use, distribution or disclosure by others is strictly prohibited. Terasen Inc. and its affiliates do not accept liability for any errors or omissions which arise as a result of e-mail transmission. If you are not the intended recipient, please contact the sender immediately and delete all copies of the message including removal from your hard drive. Thank you.



**Attachment 8.1**

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TERASEN GAS INC.

BCUC Order No. G-158-09

Section C

RETURN ON CAPITAL  
FOR THE YEAR ENDING DECEMBER 31, 2010  
(\$000s)

Tab 13  
Schedule 10

Line No.	Particulars	Reference	----- Capitalization ----- Amount	%	Embedded Cost	Cost Component	Earned Return
	(1)	(2)	(3) (4)	(5)	(6)	(7)	(8)
1	2010 AT 2009 RATES						
2	Long-Term Debt	- Tab C-13, Schedule 64	\$1,483,848	58.55%	6.952%	4.07%	
3	Unfunded Debt		36,820	1.45%	2.250%	0.03%	
4	Preference Shares		-	0.00%	0.000%	0.00%	
5	Common Equity		<u>1,013,778</u>	<u>40.00%</u>	<u>7.775%</u>	<u>3.11%</u>	
6							
7		- Tab C-13, Schedule 8	<u>\$2,534,446</u>	<u>100.00%</u>		<u>7.21%</u>	
8							
9	2010 REVISED RATES						
10	Long-Term Debt	- Tab C-13, Schedule 64	\$1,483,848	58.55%	6.952%	4.07%	\$103,156
11	Unfunded Debt		\$36,820				
12	Adjustment, Revised Rates	4	36,824	1.45%	2.250%	0.03%	829
13	Preference Shares		-	0.00%	0.000%	0.00%	-
14	Common Equity		<u>1,013,782</u>	<u>40.00%</u>	<u>9.500%</u>	<u>3.80%</u>	<u>96,309</u>
15		(X-Ref - Tab C-13, Schedule 4)					
16		- Tab C-13, Schedule 8	<u>\$2,534,454</u>	<u>100.00%</u>		<u>7.90%</u>	<u>\$200,294</u>

TERASEN GAS INC.

BCUC Order No. G-158-09

Section C

RETURN ON CAPITAL  
FOR THE YEAR ENDING DECEMBER 31, 2011  
(\$000s)

Tab 13  
Schedule 11

Line No.	Particulars	Reference	----- Capitalization ----- Amount	%	Embedded Cost	Cost Component	Earned Return	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	2011 AT 2009 RATES							
2	Long-Term Debt	- Tab C-13, Schedule 65	\$1,534,686	58.38%	6.945%	4.05%		
3	Unfunded Debt		42,575	1.62%	4.500%	0.07%		
4	Preference Shares		-	0.00%	0.000%	0.00%		
5	Common Equity		1,051,508	40.00%	7.033%	2.81%		
6								
7		- Tab C-13, Schedule 9	\$2,628,769	100.00%		6.93%		
8								
9	2011 REVISED RATES							
10	Long-Term Debt	- Tab C-13, Schedule 64	\$1,534,686	58.37%	6.945%	4.05%		\$106,577
11	Unfunded Debt		\$42,575					
12	Adjustment, Revised Rates		250	42,825	1.63%	4.500%	0.07%	1,927
13	Preference Shares		-	0.00%	0.000%	0.00%		-
14	Common Equity		1,051,674	40.00%	9.500%	3.80%		99,909
15		(X-Ref - Tab C-13, Schedule 5)						
16		- Tab C-13, Schedule 9	\$2,629,185	100.00%		7.93%		\$208,413

TERASEN GAS INC.

BCUC Order No. G-158-09

Section C  
Tab 13  
Schedule 65EMBEDDED COST OF LONG-TERM DEBT  
FOR THE YEAR ENDING DECEMBER 31, 2011  
(\$000s)

Line No.	Particulars	Issue Date	Maturity Date	Coupon Rate	Principal Amount of Issue	Issue Expense	Net Proceeds of Issue	Effective Interest Cost	Average Principal Outstanding	Annual Cost	Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Series A Purchase Money Mortgage	3-Dec-1990	30-Sep-2015	11.800%	\$58,943	\$855	\$69,031 *	12.054%	\$69,886	\$8,424	
2	Series B Purchase Money Mortgage	30-Nov-1991	30-Nov-2016	10.300%	157,274	2,228	155,046	10.461%	157,274	16,452	
3											
4	Medium Term Note - Series 11	21-Sep-1999	21-Sep-2029	6.950%	150,000	2,290	147,710	7.073%	150,000	10,610	
5	2004 Long Term Debt Issue - Series 18	29-Apr-2004	1-May-2034	6.500%	150,000	1,915	148,085	6.598%	150,000	9,897	
6	2005 Long Term Debt Issue - Series 19	25-Feb-2005	25-Feb-2035	5.900%	150,000	1,663	148,337	5.980%	150,000	8,970	
7	2006 Long Term Debt Issue - Series 21	25-Sep-2006	25-Sep-2036	5.550%	120,000	784	119,216	5.595%	120,000	6,714	
8	2007 Medium Term Debt Issue - Series 22	2-Oct-2007	2-Oct-2037	6.000%	250,000	2,303	247,697	6.067%	250,000	15,168	
9	2008 Medium Term Debt Issue - Series 23	13-May-2008	13-May-2038	5.800%	250,000	2,389	247,611	5.868%	250,000	14,670	
10	2009 Medium Term Debt Issue- Series 24 (includes replacement for Series E)	24-Feb-2009	24-Feb-2039	6.550%	100,000	1,000	99,000	6.627%	100,000	6,627	
11	2011 Medium Term Debt Issue- Series 25	1-Jul-2011	1-Jul-2021	5.650%	100,000	1,000	99,000	5.783%	50,411	2,915	
12											
13	LILO Obligations - Kelowna							5.919%	25,729	1,523	
14	LILO Obligations - Nelson							7.093%	4,110	292	
15	LILO Obligations - Vernon							8.242%	12,267	1,011	
16	LILO Obligations - Prince George							7.256%	31,571	2,291	
17	LILO Obligations - Creston							6.496%	2,996	195	
18											
19	Vehicle Lease Obligation							7.631%	13,455	1,027	
20											
21									<u>\$1,537,699</u>	<u>\$106,786</u>	
22											
23	Sub-Total								\$1,537,699	\$106,786	
24	Less - Fort Nelson Division Portion of Long Term Debt								(3,013)	(209)	
25	Total								<u>\$1,534,686</u>	<u>\$106,577</u>	
26											
27	*Includes adjustment of \$7,772 for BC Hydro Premium										

(X-Ref - Tab C-13, Schedule 11) (X-Ref - Tab C-13, Schedule 63)

Average Embedded Cost 6.945%