

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended,

and

IN THE MATTER OF an Application by TMA  
WESTERN RESOURCES LTD., under Section 61  
thereof

DECISION  
June 30, 1982

Before:  
M. Taylor, Chairman;  
D.B. Kilpatrick, Commissioner; and  
R.J. Ludgate, Commissioner

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## APPEARANCES

R.J. Gibbs	Commission Counsel
I.G. Nathanson	for TMA Western Resources Limited
D.G.S. Rae	for Inland Natural Gas Co. Ltd.
E.R.A. Edwards	for Ministry of the Attorney General
P. Dewdney	for Cominco Ltd.
D. Kermode P. MacNeill	for The Concerned Committee for Fair Natural Gas Prices
R.G. Kuhn	for Consumers Glass Company Limited
K.E. Gustafson	for Council of Forest Industries of British Columbia
A.B. Macdonald	for Alex B. Macdonald, Q.C., M.L.A.
Hearing Secretary	A.C. Michelson R. Harper
Commission Staff	R.J. Fletcher J.A. Greiner S.S. Wong
Court Reporter Ltd.	Audiotron Enterprises

## INTRODUCTION

Section 61 of the Utilities Commission Act ("the Act") provides:

"61. Without first obtaining the Commission's approval, a public utility shall not issue or sell or make on its books a transfer of shares in the capital of the utility to:

- (a) another public utility; or
- (b) a corporation, where the result of the issue, sale or transfer, in itself or with previous issues, sales or transfers, is to vest in the other corporation a majority interest in the utility's outstanding share capital."

On March 22, 1982, TMA Western Resources Ltd., ("TMA") applied to the Commission pursuant to Section 61 aforesaid:

" for approval of transfer of a majority of voting shares of Inland Natural Gas Co. Ltd. ..."

Accompanying the TMA Application was a "cash offer" document dated February 26, 1982, directed to the holders of common shares of Inland Natural Gas Co. Ltd. ("Inland"). The document constituted an offer by TMA to purchase Inland common shares for a price of \$20 per share subject to two basic conditions:

1. That by 11:59 p.m. on March 29, 1982 ("the Expiry Time") there had been deposited for sale with The Canada Trust Company a minimum of 1,600,000 (52%) Inland common shares, and

2. That before the Expiry Time the Commission had by a final decision given unconditional approval, or approval on conditions acceptable to TMA, to the change in control of Inland which would result if 52% or more of the shares were deposited.

The "Cash Offer" document identified TMA and those associated with it as follows:

" The Offeror was incorporated under the Canada Business Corporations Act on June 22, 1981. Its principal and registered offices are located at 1700-750 West Pender Street, Vancouver, British Columbia V6C 2B8 and its sole business is to acquire common shares of Inland pursuant to the Offer. The Offeror is a wholly-owned subsidiary of Denton Investments Ltd. ("Denton"). Denton is controlled by 108195 Canada Limited through its holding of shares carrying 66% of the votes and representing 50% of the total equity of Denton. Trans Mountain Pipe Line Company Ltd. ("Trans Mountain") holds shares of Denton representing the balance of the votes and equity. Trans Mountain, the common shares of which are listed on the Toronto, Montreal, Alberta and Vancouver Stock Exchanges, owns and operates a pipeline for transporting crude oil and natural gas liquids from points in Alberta and British Columbia to Burnaby, British Columbia. 108195 Canada Limited, the sole business of which is to hold shares of Denton, is controlled by Messrs. F.J. Anderson and C.B. Macdonald, both of whom are businessmen in Vancouver, British Columbia."

Upon receipt of the TMA Application of March 2, 1982, the Commission addressed the question of jurisdiction and concluded that in view of the wording of Section 61 of the Act it could not entertain an application by other than the utility whose shares were intended to be transferred. It so advised TMA. As well, in anticipation that the jurisdictional question would be overcome, on March 9, 1982, the Commission provided the following guidelines to TMA:

"The Commission will require evidence that:-

1. The utility's current and future ability to raise equity and debt financing will not be reduced or impaired.
2. There is no violation of existing covenants the effect being detrimental to the customers.
3. The conduct of the utility's business including the level of service, either now or in the future, will be maintained or enhanced.
4. The application is in compliance with appropriate enactments and/or regulations.
5. The structural integrity of the assets will be maintained in such a manner as not to impair utility service.
6. The public interest is being preserved."

On March 19, 1982, Inland consented to the hearing of the application of TMA and advised the Commission that it would support the granting of the Order sought by TMA provided that the Commission found, after review, that the guidelines had been satisfied. The Commission concluded that a combination of the TMA Application and the Inland letter of consent clothed it with sufficient authority to proceed.

In the meantime, widespread interest and concern had been expressed about the takeover, particularly by natural gas consumers in the Inland service area. The Commission received numerous calls expressing concern and apprehension about possible impacts upon the Inland rates. The Commission was also aware that the Superintendent of Brokers, the Ontario Securities Commission, and the Foreign Investment Review Agency had taken an interest in the transaction.

The Commission concluded that, although not required to do so by the Act, it would be a proper discharge of its duties in these circumstances to hear the TMA Application in public forum. The Commission attempted to bring the matter on for hearing on March 26, 1982 but after contacting various interested parties including the Committee for Fair Natural Gas Prices, the Council of Forest Industries and A.B. Macdonald, Q.C., and to provide time for preparation, the Commission issued Order G-24-82 (See Appendix A) setting the matter down for hearing commencing April 2, 1982.

Following the issue and distribution of Order G-24-82, TMA wrote the Commission on March 30, 1982, advising that as a result of a ruling by the Ontario Securities Commission the Cash Offer to Inland shareholders required amendment and the amendment of the offer would lead in turn to an amendment of the Application to the Commission. TMA further advised that the amendment to the Cash Offer would extend the expiry time of the offer to April 13, 1982 and remove the condition precedent of Commission approval. Because of these developments, TMA was not ready to proceed with the April 2, 1982 hearing. Accordingly, by Order G-27-82 (See Appendix A) the Commission adjourned the hearing scheduled for April 2, 1982, but, in so doing, advised TMA that it must reapply to comply with Section 61.

The Lieutenant Governor in Council, by Order in Council 769, issued under Section 3 of the Act on April 15, 1982, directed the Commission to forbid Inland from registering the transfer of any of its shares to TMA or any agent, assignee or subsidiary, and to forbid TMA from voting any Inland shares, until the Commission had made a decision on the TMA Application. On the same date that the Order in Council was



issued, the Commission issued Order G-30-82 (see Appendix A) which, carried out the direction from the Lieutenant Governor in Council.

Following the expiration of the Cash Offer on April 13, 1982 and prior to the issue of Order in Council 769 and Order G-30-82, 1,080,000 (35%) of the issued and outstanding common shares of Inland were transferred on the books of Inland in the proportions of 720,000 (2/3) to TMA and 360,000 (1/3) to Denton Investments Ltd. ("Denton"). On April 19, 1982, TMA filed an Amended Application requesting the same approval as had been requested in the original Application. In the Amended Application the Commission was advised that it was intended that Denton hold one-third of the common shares of Inland acquired, that 2,893,550 (93.5%) common shares had been acquired under the amended Cash Offer, that \$57,871,000 had been paid for the acquired shares and that the aforesaid 1,080,000 shares had been transferred. By letter dated April 21, 1982 Inland consented to the making of the Amended Application and to having the matter set down for public hearing.

On the receipt of the Inland consent the Commission issued Order G-32-82 directing that a public hearing on the Amended Application commence in Vancouver on May 18, 1982. In addition to the Applicant TMA, and Inland, appearances were entered by Cominco Ltd., The Concerned Committee for Fair Natural Gas Prices, Consumers Glass Company Limited, the Council of Forest Industries of British Columbia, Alex B. Macdonald, Q.C., and the Ministry of the Attorney General. No party challenged or questioned the authority or jurisdiction of the Commission. The hearing began on May 18 and concluded May 27, 1982.

THE PROPOSAL: VOTING CONTROL AND FINANCING

TMA is owned 100% by Denton Investments Ltd. ("Denton") which is in turn owned 50% by Trans Mountain Pipe Line Company Ltd. ("Trans Mountain") and 50% by 108195 Canada Limited ("108195"). This latter company is owned 75% by F.J. Anderson and 25% by C.B. Macdonald. Denton and TMA own 1/3 and 2/3 respectively of the acquired Inland shares. If various of the corporate veils are lifted it is apparent that Trans Mountain owns 50% of the acquired shares, F.J. Anderson 37.5% and C.B. Macdonald 12.5%.

The corporate organization behind the acquisition was filed during the proceedings and is reproduced as Appendix C to this decision. Through voting rights of intermediary companies, F.J. Anderson has voting control of 66% of the acquired shares of Inland, Trans Mountain has a minority voting interest to the extent of 34%, while C.B. Macdonald, as a minority shareholder of one of the participating companies, has no effective voting power over any of the Inland shares. The differences in ownership and voting control as between F.J. Anderson and Trans Mountain are to be found in the share structure of Denton which has two classes of shares, voting and non-voting. F.J. Anderson has 66 voting shares whereas Trans Mountain has 34 voting shares and 32 non-voting shares. Therefore, while ownership is equally divided, each party having 66 shares, voting control rests in the hands of F.J. Anderson.

According to the agreements, voting powers may change to the extent of an equal voting interest of F.J. Anderson and Trans Mountain in the acquired Inland shares. This is dependent on the final corporate reorganization and clearance from the Federal Investment Review Agency ("FIRA").

The cost of acquisition, including carrying costs and other costs, is estimated by TMA to be approximately \$67 million. Trans Mountain has made a \$10 million cash contribution and the balance of approximately \$57 million is financed by a Canadian Imperial Bank of Commerce ("CIBC") loan, on a short term basis to January 31, 1983.

The principal outstanding debt, excluding capitalized interest and other costs of \$7 million, is approximately \$40 million for TMA and \$10 million for 108195.

Security to the bank has been provided by pledging all of the acquired Inland shares and by guarantees by 108195, Denton and Trans Mountain. From the evidence it is apparent that of these companies, only Trans Mountain has assets apart from the holding of Inland shares. There is no evidence of personal guarantees being given as security. As collateral for guaranteeing a bank loan of up to \$6 million to 108195, Messrs. Anderson and Macdonald have pledged two million shares of Dawn Development Canada Corporation ("Dawn") to Trans Mountain.

The obligations to the bank in respect of debt servicing have been met by Trans Mountain, which has undertaken to provide a "letter of undertaking... to provide for all debt servicing on total amount, before and after maturity date at the request of CIBC and undertaking to manage dividend policy as necessary." (Exhibit 5)

THE TARGET COMPANY: INLAND NATURAL GAS CO. LTD.

Inland is a regulated utility under the Act. Prior to the advent of TMA, Inland was an investor owned utility with approximately 3,000,000 common shares widely held across Canada. The shares are listed for trading on the Toronto Stock Exchange. The Company's primary business activity is the transmission and distribution of natural gas to fifty-eight communities in British Columbia in a service area stretching from the Peace River area in the north, through the Cariboo and Okanagan to the West Kootenay region in the south and eastwards to the East Kootenays bordering on the Province of Alberta. The company serves approximately 100,000 accounts in British Columbia in a general area with an estimated population of 600,000.

Inland head office is located in Vancouver and the Company operates the transmission and distribution system through that office and various offices located in its major distribution centres throughout its service area. The Company has some 350 employees.

Inland began operating as a natural gas distributor in 1957 and the present system comprises some 1,135 miles of transmission lines, 1,690 miles of distribution lines and 1,397 miles of service lines. As at June 30, 1981, the net book value of the consolidated plant was \$123,558,145. In that fiscal year ended June 30, 1981, the revenues, primarily from the sale of natural gas, were \$128,068,363 and the net consolidated income was \$6,777,780. The consolidation included wholly owned subsidiaries Columbia Natural Gas Limited, Grande Prairie

Transmission Co. Ltd., Peace River Transmission Company Limited, St. John Gas & Oil Co. Ltd. (N.P.L.) and Inland Development Co. Ltd.

The Company has more than doubled its customer base in recent years from 47,000 customers existing in 1972 to 100,200 customers served in 1981. Sales have correspondingly increased from 26,000 TJ\* in 1972 to 61,000 TJ in 1981. Currently residential, commercial and small industrial loads comprise 42% of total natural gas sales while large industrial and other loads account for the remaining 58% of gas volumes.

The Director's report contained in Inland's 1981 Annual Report, filed during the proceedings, states:

"1981 has been a banner year for Inland Natural Gas. Revenues, earnings and dividends all reached record levels.... total revenues increased by 24 percent, earnings per share were up by 20 percent and dividends on Common Shares moved ahead 11 percent."

The "Outlook" section of the same Annual Report states:

"Your Company is on the threshold of a period of major expansion. The Province's energy policy is clearly intended to convert oil customers to natural gas. Similarly, the National Energy Program emphasizes the need to move toward Canadian energy independence and is designed to shift the Country from dependency on imported oil to domestically produced natural gas."

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\*TJ - thousands of Gigajoules

According to the Company Chairman's remarks to the last annual shareholder's meeting, Inland currently is now the highest financially rated gas utility in Canada. In the fall of 1981 its first Mortgage Bonds were rated by Dominion Bond Rating Service as single A (high), with its Debentures rated as single A. The former ratings were A (low) and BBB (low) respectively.

Since 1972 the dividend payout per common share as a percent of earnings per common share has seen a high of 64% (1978) with a low of 51% occurring in 1976. Since 1978 the payout ratio has averaged approximately 59%.

The Company's consolidated capitalization currently consists of a common equity component of 28%, a preference share component of 14%, deferred tax balances of 6%, with long and short term debt comprising the remaining 52%. The Dominion Bond Rating Service put the net worth of the Company as at September 1981, excluding preferred shares, at about \$35 million. This compares to a value of approximately \$62 million per the offer of \$20 per share by TMA.

In the current fiscal year earnings per common share have declined primarily due to the decline in the forest industry sector. The Interim Report of Inland dated March 31, 1982 indicates the Board of Directors considers that "this unfortunate trend will continue at least through our next quarter and perhaps beyond". A factor which has been consistent throughout recent years has been the declining average use per residential and commercial customer. In 1978 average residential use was 133 GJ, in 1981 the average use was 117 GJ. Inland had 87,858 residential customers at June 30, 1981.

THE PURCHASERS(a) Trans Mountain Pipe Line Company Ltd.

Trans Mountain is a publicly held Company which owns and operates a pipeline system for the transportation of crude oil from Edmonton and Edson in Alberta and from Kamloops in British Columbia to its tank farm and marine terminal in Burnaby, B.C., together with a spur line from Sumas, B.C. to the International Boundary. At the International Boundary the Company's pipeline joins that of its wholly owned subsidiary, Trans Mountain Oil Pipe Line Corporation, which owns and operates the system in the State of Washington.

The Company also operates a facility on Burrard Inlet for receiving, refrigerating and loading tankers with Canadian propane export, and through a B.C. subsidiary company, Trans Mountain Enterprises of British Columbia Limited, a pipeline for the transportation of jet fuels from refineries in the Vancouver area to the Vancouver International Airport.

The Company has two other wholly owned subsidiaries, Trans Mountain Housing Ltd. and Alpec Construction and Surveys Ltd. with assets less than \$100,000.

Trans Mountain has issued and outstanding 7,580,640 common shares without par value which are listed on the Vancouver, Toronto and Montreal Stock Exchanges.\*

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\*from information in the hearing record including the Annual Report of Trans Mountain for 1981 filed as part of Exhibit 4.

At the time of the hearing, 62% of the shares outstanding were widely held and 38% were owned by the owners of the refineries it supplied, namely: Gulf Canada Products, Chevron Canada Ltd., Shell Canada Ltd., Imperial Oil Limited and Atlantic Richfield Company.\*

The Company is regulated by the National Energy Board (NEB) on a rate base/rate of return formula. Currently its plant is approximately 80% depreciated. As of December 31, 1981, the Company had net consolidated plant of \$34,036,268, consolidated revenue of \$38,006,898 and net consolidated income before extraordinary items of \$4,852,735. Trans Mountain's consolidated capitalization is 100% equity, and without NEB approval of major capital investments, its earnings will decline over the next period of years.

In 1976, the Federal Government began to curtail the export of domestic crude oil to the United States which seriously affected the Company's largest market. Trans Mountain has a stable market for its services in British Columbia which has shown modest growth in the past few years.

Since 1976 Trans Mountain has been paying dividends in excess of net annual earnings. Annual dividends paid have been maintained at a constant \$1.20 per share despite a decline in net earnings per share from \$1.50 in 1975 to 65¢ in 1982 before any extraordinary item.

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\* Since the conclusion of the hearing the Commission has been advised by letter dated June 18, 1982, a copy of which is attached as Appendix D, of a change in ownership of a block of Trans Mountain shares.



Other Companies108195 Canada Limited

108195 was incorporated on June 22, 1981 under the Canada Business Corporations Act. The sole business of 108195 is to hold shares in Denton. It is controlled by Mr. F.J. Anderson (75%) and Mr. C.B. Macdonald (25%).

F.J. Anderson has a controlling interest in Dawn, a lower mainland real estate development company, Sunmask Petroleum Corporation ("Sunmask"), an oil and gas exploration company and Sunshine Chevrolet Oldsmobile, an automobile retail business.

C.B. Macdonald was formerly President and Managing Director of Chevron Canada Limited, and a Director of Trans Mountain Pipe Line Company Ltd., and is the President and Chief Executive Officer of TMA Western Resources Ltd.

Denton Investments Ltd.

Denton was incorporated on November 23, 1981 under the B.C. Companies Act. The sole business of Denton is to hold shares in TMA. Denton is owned 50% by 108195 and 50% by Trans Mountain.

108195 holds 66 Class A voting common shares in Denton. Trans Mountain holds 34 Class A voting common shares and 32 Class B non-voting common shares in Denton.

TMA Western Resources Ltd.

TMA was incorporated on June 22, 1981 under the Canada Business Corporations Act. Its sole business is to acquire the common shares of Inland Natural Gas Co. Ltd. pursuant to a public offer dated February 26, 1982. TMA is a wholly owned subsidiary of Denton.

CORPORATE RESTRUCTURING

The acquiring parties intend to restructure the financial arrangements of the companies participating in the acquisition. The "Organizational Chart After Restructuring" compiled by Thorne Riddell, Chartered Accountants, appearing on behalf of TMA, was filed during the course of the proceedings. This has been reproduced in Appendix E to this decision. According to the evidence the purpose of the restructuring was to shift the debt from 108195 and TMA to Trans Mountain so as to maximize the potential income tax benefits of the transaction.

PROPOSED FINAL REORGANIZATION

The acquiring parties also expressed an intention to proceed with a corporate reorganization which would supercede the "Organizational Chart After Restructuring". F.J. Anderson selected the "Final Corporate Structure" as contained in Exhibit 6B (reproduced in Appendix F to this decision) to

illustrate the most likely final corporate structure which might result from the bringing together of property development, oil and gas interests and utility operations. Two companies which may form part of the final corporate structure are Dawn and Sunmask. As previously stated, F.J. Anderson has a controlling interest in both of these companies.

Dawn is a privately held real estate company whose assets include undeveloped property in Delta, B.C. Currently the agreements existing between Trans Mountain and Dawn consist of the pledging of two million Dawn shares to Trans Mountain, and a one million share option in Dawn shares held by Trans Mountain at an option price of \$5 per share. Also a possibility was presented during the proceedings of a share exchange of four million Trans Mountain shares for six million Dawn shares.

Sunmask is an oil and gas exploration and development company with its head office in Vancouver, B.C. and operations in the United States. It was incorporated on August 8, 1980, and commenced operations on September 29, 1980. The Company has 3,651,900 common shares issued and they trade on the Vancouver and London Stock Exchanges. As at September 30, 1981, it had net consolidated assets of \$4,231,988, working capital of \$493,924 and a net consolidated income for the fourteen month period to that date of \$16,313. During the hearing it was revealed that Sunmask has future liabilities of some \$1.8 million through joint venture agreements associated with the costs of well completion.

### SCOPE OF THE HEARING

The application to transfer a majority of the voting shares of Inland and the consequent conversion of the last widely-held sizeable distribution utility in the Province to the status of a wholly owned subsidiary must be a matter of wide interest and concern. At the opening of the proceedings the Commission indicated the scope of the hearings as follows:

"During the course of discharging its responsibilities under the Act, the Commission will have regard to that widespread interest and concern. It will want to be informed upon and have described to it, all of the details of the transaction plus the plans for the future conduct and management of the utility. It is only through a thorough understanding of all aspects both present and future that a reasoned and equitable disposition of the application can be made."

### THE ISSUES

It is helpful, at this point to restate the guidelines provided to TMA and on which the Commission heard evidence:

1. The utility's current and future ability to raise equity and debt financing will not be reduced or impaired.
2. There is no violation of existing covenants the effect being detrimental to the customers.

3. The conduct of the utility's business including the level of service, either now or in the future, will be maintained or enhanced.

4. The application is in compliance with appropriate enactments and/or regulations.

5. The structural integrity of the assets will be maintained in such a manner as not to impair utility service.

6. The public interest is being preserved."

In its examination of the issues arising from the application and the hearing of evidence the Commission's concern centres on the present and future well being of Inland and its continued ability to provide no lesser quality of service to present and future customers and at no greater cost than if there had not been a change in control. The major question is whether or not the change of control is in the public interest.

Prior to the acquisition, Inland had a broad common shareholder base. The ten largest common shareholders owned approximately 40% of the outstanding common shares, of which 20% were held by Chieftain Developments Company Ltd. of Edmonton. The takeover has resulted in placing 93.5% of Inland shares in the control of F.J. Anderson. This result affords Mr. Anderson significantly greater influence over the Company than was previously available to any single shareholder. The Commission carefully assessed this change in Inland's corporate ownership to the extent that it pertains to the Company's operations,

potential impact on customers and Inland's financial integrity. The following aspects of this transaction have been examined in detail:

- (a) affordability
- (b) amalgamation
- (c) impact on Inland's management
- (d) impact on credit rating
- (e) ability to raise capital
- (f) concentration of control

(a) Affordability

The Commission has made an assessment of the "affordability" of the project as it was described in the record. The Applicant alleges that the project can be supported in financial terms by available cash flow from Trans Mountain and dividends from Inland based on an extension of past dividend policy. Should either or both sources of revenue fail to meet expectations there will be pressure on TMA or Inland to make up deficiencies. Such pressure on Inland could result in a change in dividend policy with consequential changes in debt/equity ratios, capitalization and retained earnings. The pressures for a change in Inland's dividend policy would be even greater should Inland's revenues fall because of economic factors affecting the growth, or even maintenance, of markets for natural gas.

Mr. D.F. Culver, financial witness for TMA, presented evidence on the affordability of the transaction. Mr. Culver's approach was to demonstrate that the cash flow from Trans Mountain combined with Inland dividends was more than sufficient to cover interest and debt retirement on the fifteen year bank loan, assuming the interest expense was a tax deductible item.

In order to arrive at Inland's future dividends, Mr. Culver developed a computer model which estimated annual earnings for fifteen years. He assumed a 55% dividend payout ratio, the company's ten year historical average. Inland's 1981 Annual Report was the principal source for the projections. At the request of Commission staff, Inland prepared its own fifteen year forecast which closely approximated Mr. Culver's.

Under cross-examination, Mr. Culver indicated that these projections were basically extrapolations of trends. Specific consideration of such factors as market saturation, industrial conversion to hog fuel, conservation and the current depressed state of the forestry industry were not included in the forecasts. Mr. Kadlec, President of Inland, testified that a forecast prepared on a year by year basis rather than projection of trends would be more accurate.

The Commission accepts the projected dividend growth of 8% per annum as not unreasonable, considering the current rate of inflation. However, it is obvious that if Inland's rate base does not grow at the rate indicated, (for any of the factors mentioned above), then earnings and dividends would be less than those projected.

The Trans Mountain cash flow was arrived at using the Culver model. It included a 25% increase in rate base due to capital additions not yet approved by the NEB. Several intervenors questioned Trans Mountain witnesses about the large increase in working capital over the next fifteen years. Working capital in regulated utilities is largely a function of operating costs and is calculated by employing lead-lag studies. The Commission has some concern about how Trans Mountain will be able to finance the working capital, since additional debt will clearly impact on affordability.

The tax deductibility of the interest expense is crucial to this transaction. Without it, the Applicant will not be able to finance the takeover. No ruling was sought from Revenue Canada and the Applicant led no conclusive evidence to indicate its attainability. The Commission is concerned that the applicant could not make a more convincing case on this important question.

Mr. Culver assumed that the bank debt and interest would be serviced on an annuity basis i.e. equal annual installments of combined principal and interest (see Appendix G). Commission staff prepared a table (see Appendix H) showing the effect of straight-line debt retirement i.e. equal annual payments of principal plus interest on outstanding balance. The latter calculation substantially reduces affordability in the first five years. The Applicant offered no evidence to demonstrate that one method was more likely than the other. Consequently, the Commission views both methods of debt retirement as possibilities.



The Commission is of the opinion that the Applicant should have provided several scenarios in demonstrating affordability. By its very nature, forecasting is an inexact technique. Therefore, cash flow from Trans Mountain and Inland dividends should have been tested for optimistic, likely, conservative and worst case scenarios (Mr. Culver did provide a range of interest expenses on bank debt but only one cash flow).

The affordability study did demonstrate that the Inland dividends at Mr. Culver's 55% payout ratio will be insufficient to cover the financing costs for at least ten years.

(b) Amalgamation

The matter of the amalgamation of Inland within the corporate structure was discussed at considerable length. While it was clearly within the intent and scope of the original proposal the Applicant abandoned that part of the proposal on the record in the hearing. Therefore, it is not a matter on which the Commission need pass judgement. If such a proposal is renewed in the future it will require specific approval of the Commission under Section 60 of the Act.

(c) Impact on Inland

Mr. Anderson testified that he will not exercise his control to influence the Company's management or operation because he is satisfied that Inland is efficiently run. Unquestionably it is important that the skilled and experienced management of Inland be retained both from the point of view of TMA and the public interest. It is impractical however to assume that a commitment of this nature by Mr. Anderson could override specific future interests of Mr. Anderson or TMA. Under cross-examination, it was revealed that Mr. Anderson has been appointed to Inland's Board of Directors and it has been suggested that the Board be expanded to accommodate the appointment of Messrs. Macdonald and Hall.

Messrs. Kadlec and Stokes, President and Executive Vice-President of Inland respectively, were not as yet prepared to commit themselves to continue at Inland. Mr. Anderson could not confirm whether the present Board of Directors would remain in office.

The Commission has some difficulty in accepting Mr. Anderson's statement that the takeover will not impact on the Company's management. His influence is already felt on the Board. Mr. Kadlec perceived that "...it's a change for Inland.... and is a new environment for us to work in." The Applicant paid a substantial premium to obtain a controlling interest and it is likely that TMA will want to get directly involved in Inland's management to ensure that the investment yields the desired return.

(d) Impact on Credit Rating

Inland witnesses expressed the opinion that a change in ownership would not impact on Inland's credit rating because it is the financial standing of the Company, not ownership, which is of importance.

In general, the Commission accepts this proposition. However, noting the principal shareholder's interest in real estate development and oil and gas exploration, Inland may find itself joint venturing in these areas in the future. This could result in a change in Inland's risk profile and hence impact on its credit rating.

(e) Inland's Ability to Raise Capital

Mr. David Sinclair gave opinion evidence on Inland's ability to raise equity capital for possible future expansion. He suggested the Applicant will be restricted in providing additional equity because of the current heavy debt load. It was also his opinion that issuing additional shares to the public could not be done on as favourable terms for a wholly owned subsidiary as for a widely held company. In addition Inland will likely find difficulty in raising equity through warrants, a mechanism it has employed with success in the past. These are all concerns which may affect the ability of Inland to finance. In the circumstances only time will prove their validity.

(f) Concentration of Control

The Commission has serious reservations about the conversion of the last widely held sizeable distribution utility in the province to the status of a wholly owned subsidiary.

Mr. Kadlec testified that there has been a trend in Canada towards the takeover of public utilities by large conglomerates but this, in his opinion, had not necessarily resulted in negative effects on the utilities.

The Commission is of the opinion that the conversion of a utility from an independent company to a wholly owned subsidiary does impact on the utility and the public interest. The concentration of control in directors with other interests as well as that of the operation of a public utility has several implications. Utility interests are not necessarily compatible with joint ventures with a parent in unrelated fields. At a minimum this would result in diverting management from utility operations. These are all factors which are important in considering any approval to vest a majority interest in a public utility in another corporation. They would have been paramount concerns in any application to approve the acquisition of a majority of the shares of a utility.

CONCLUSIONS

The Commission has carefully considered all the matters before it on the question of granting approval to the Application of TMA to transfer (i.e. register on the books of Inland) a majority of the common shares of Inland purchased by TMA. In these considerations the Commission has focussed on questions of public interest associated with the operation of a public utility and how that public interest might be affected by the approval sought in the present Application.

Section 61 of the Act, under which the Application was made, provides no specific guidelines as to what must be taken into account in such Applications. The present section is identical to Section 45 of the Energy Act repealed by the present Act in 1980. Section 45 was identical to Section 26 of the Public Utilities Act repealed by the Energy Act in 1973. The Commission has concluded that it has discretion in determining what factors must be taken into account.

In passing it should be noted that whatever action is taken by the Commission there is nothing it can do to "reverse" those transactions completed prior to the hearing. As the record shows, TMA has purchased 93% of the common shares of Inland and has already registered its ownership of some 35% of the issued and outstanding common shares. In effect TMA has gained ownership and effective control of Inland whether or not the transfer and registration of the balance of the shares purchased is approved by the Commission. However, it should not be overlooked that when TMA elected to waive the condition

precedent of Commission approval, it proceeded with the transaction with the full knowledge that Commission approval might not be forthcoming after the event. TMA and its associates took a calculated risk.

The Commission has concluded that the primary question revolves around one issue: the change of share ownership and any impact the change might have on the operations of the public utility. The Applicant recognized this and undertook to implement several measures intended to ensure that the change in shareholders would not affect the operations of Inland. The Applicant would retain the present board of directors, expanded by Anderson, and probably Macdonald and Hall. Inland would remain a separate corporate entity. No costs of the acquisition of Inland shares would be borne by any customer of Inland. The Applicant would retain the present management, and takes the position that all that has occurred is an alteration in the identity of the shareholders of the utility -- all other factors, the utility, its management and assets are to remain unchanged.

Plainly the control and direction of Inland has already passed with the purchase of shares, and at levels much below 50%. Moreover if the Commission were not to approve further transfer, and registration, the Applicant could legally proceed to register to the extent of 50% of the total shares and enjoy effective control and the benefit of dividends on all shares purchased. Under such circumstances the Commission's concerns over the possible exercise of control to the detriment of the public utility would remain unresolved.

The major concern of the Commission is whether or not the proposed operations of TMA can be viewed as being consistent with the public interest of a well managed public utility. The record indicates that one of the important reasons for the acquisition of Inland is the control and receipt of dividend income. It is readily understandable how the steady income of a utility can be attractive in order to finance real estate development and stabilize the cyclical nature of those operations. The Commission believes that the interests of the controlling shareholders of TMA, whose principal activity at present is real estate development and other non-utility ventures, could be in conflict with the objectives of a public utility.

The Commission believes that it is in the public interest that the shares of a public utility be widely held, notwithstanding current trends and practices. This is not to say that a change in shareholders from a wide to a very narrow base automatically precludes an approval under Section 61. The combination of that narrow base with interests that lie outside the range of normal activities of a public utility, however, raises questions of the welfare of the utility and the general public interest. The issue is whether this sort of association can be viewed as consistent with the public interest as it relates to the duties and obligations of a public utility.

Other concerns relate to the uncertainty of key elements of the proposal which have the potential for damage to the well-being of the utility. These concerns are specifically the eligibility of interest deductions on newly created debt, F.I.R.A. approval, the lack of firm organization or capital structures and the reluctance of key operating management to

make a commitment to remain for a reasonable period of time. The Applicant was unable to provide evidence or assurances as to the final outcome on any of these critical elements.

#### DECISION

Based on the evidence and its conclusions with respect to the foregoing major concerns the Commission cannot conclude that the Applicant's plans are in the public interest. The Commission therefore declines to approve the Application of TMA in its present state of uncertainty and risk.

In reaching this decision it should be noted that the Commission considered ways of approving the application subject to conditions. These conditions, applied to the utility, would, primarily relate to dividend policy and payments and activities beyond the "normal" sphere of utility operations. The conditions would require that the utility seek Commission approval of any significant deviation from existing policies and practices. The Commission rejected this solution as it would, in effect, "change the rules" under which the Applicant acquired the Inland shares and under which the Application was made and would constitute interference by the Commission in the day to day operation of the utility. The Commission was also concerned that raising obstacles which might affect the financial or operating effectiveness of the proposal would cause additional uncertainty and potential harm to the welfare of the utility. The Commission notes that strong representations were made by Inland against the imposition of any conditions.



In conclusion it should be noted that the Commission does not believe, as was urged by several Intervenor, that the Act requires that a "positive" benefit to the utility must be shown in order to approve such a transaction. Had the evidence not disclosed so many downside risks for the public utility or had it been even neutral in that respect, this Decision might have been different.

#### RECOMMENDATION

If it is in the public interest that such transactions be examined before reaching the stage of the current matter, the Commission concludes that the legislation should be changed. It appears to the Commission that the provisions of Section 61 of the Act are inadequate to protect the public interest associated with the ownership and operation of a public utility in British Columbia.

DATED at the City of Vancouver, in the Province of British Columbia, this 30th day of June, 1982.

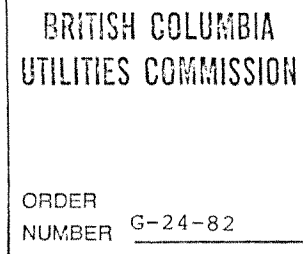
  
\_\_\_\_\_  
M. TAYLOR, CHAIRMAN

  
\_\_\_\_\_  
D.B. KILPATRICK, COMMISSIONER

  
\_\_\_\_\_  
R.J. LUDGATE, COMMISSIONER



PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER of the Utilities Commission  
Act, S.B.C. 1980, c.60

and

IN THE MATTER of an Application by  
TMA Western Resources Ltd., under Section 61  
thereof.

BEFORE:	M. Taylor,	)	
	Chairman;	)	
	M.W. Mulligan,	)	
	Deputy Chairman;	)	
	J.D.V. Newlands,	)	
	Deputy Chairman;	)	March 19, 1982
	D.B. Kilpatrick,	)	
	Commissioner; and	)	
	B.M. Sullivan,	)	
	Commissioner.	)	

O R D E R

WHEREAS, on March 2, 1982, TMA Western Resources Ltd. ("TMA") applied to the Commission pursuant to Section 61 of the Utilities Commission Act (the "Act") for approval of transfer of a majority of voting shares of Inland Natural Gas Co. Ltd. ("Inland"); and

WHEREAS, on March 19, 1982 Inland advised the Commission that it consented to the application of TMA and that it would support the granting of the order sought by TMA providing the Commission finds after its review that TMA has satisfied the Commission guidelines; and

WHEREAS, the Commission concludes that the public interest requires that the TMA application be heard in public forum.

.../2

BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER

NUMBER G-24-82

2

NOW, THEREFORE, the Commission orders:

1. That the application of TMA be set for public hearing commencing at 9:00 a.m. on Friday, April 2, 1982, at the Commission hearing room:  
  
21st Floor,  
1177 West Hastings Street  
Vancouver, British Columbia  
V6E 2L7
2. That, in the discretion of the Commission, the hearing may continue without break until all the evidence has been heard or may adjourn from time to time as may be appropriate to afford a fair hearing to all parties with a bona fide interest.
3. That the Secretary arrange for public announcement of the hearing in the Inland service area and in Vancouver.
4. That TMA file with the Commission on or before March 23, 1982 any additional or amended material, including prepared direct testimony upon which it proposes to rely.
5. That TMA provide expeditiously to any interested party so requesting copies of all material filed with the Commission in respect of the application.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of March, 1982.

BY ORDER

*M. Taylor*  
CHAIRMAN



## NOTICE OF PUBLIC HEARING

### THE APPLICATION

TMA Western Resources Ltd. ("TMA"), a subsidiary of Denton Investments Ltd., which in turn is jointly owned by Trans Mountain Pipe Line Company Ltd., and 108195 Canada Limited, has applied to the British Columbia Utilities Commission ("the Commission") under Section 61 of the Utilities Commission Act ("the Act"), with the consent of Inland Natural Gas Co. Ltd. ("Inland"), for approval of the Commission to the transfer on the books of Inland of a majority interest in Inland's outstanding share capital.

### THE PUBLIC HEARING

The Commission has ordered that the application of TMA be heard in public commencing at 9:00 a.m. on Friday, April 2, 1982, at the Commission hearing room:

21st Floor  
1177 West Hastings Street  
Vancouver, British Columbia  
V6E 2L7

The Commission has ordered further that in its discretion the hearing may continue without break until all the evidence has been heard or may adjourn from time to time as may be appropriate to afford a fair opportunity to participate in the hearing to all parties with a bona fide interest.

### INSPECTION OF APPLICATION MATERIAL

Copies of the Application and supporting materials filed with the Commission will be available for inspection only at the offices of the Commission at the above address, and at the following locations:

TMA Western Resources Ltd. -- 1700 - 750 West Pender Street  
Vancouver, British Columbia  
V6C 2B8

Inland Natural Gas Co. Ltd.-- 23rd Floor  
(Head Office) 1066 West Hastings Street  
Vancouver, British Columbia  
V6E 3G3

(Regional Offices) Kamloops, Kelowna, Nelson, Trail,  
Penticton and Vernon

Copies of the Application and supporting materials may be obtained on request of TMA:

1700 - 750 West Pender Street  
Vancouver, British Columbia  
V6C 2B8

Telephone: 687-5700 (Mr. Esselmont)

### CONDUCT OF THE HEARING

Enquiries about the conduct of the hearing and matters related thereto may be made to the Secretary of the Commission by telephone, 689-1831, or in writing.

A.C. Michelson,  
SECRETARY



BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-27-82

PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60

and

IN THE MATTER OF an Application by  
TMA Western Resources Ltd., under  
Section 61 thereof

BEFORE:	M. Taylor,	)	
	Chairman;	)	
	D.B. Kilpatrick,	)	
	Commissioner; and	)	April 1, 1982
	B.M. Sullivan,	)	
	Commissioner	)	

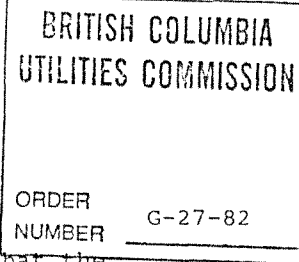
O R D E R

WHEREAS, by Order No. G-24-82 the Commission ordered that a hearing into an application by TMA Western Resources Ltd. ("TMA") pursuant to Section 61 of the Utilities Commission Act ( the "Act" ) for approval of the transfer of a majority of the voting shares of Inland Natural Gas Co. Ltd. ("Inland") commence at 9:00 a.m. on Friday, April 2, 1982; and

WHEREAS, by letter dated March 30, 1982, TMA, through its Counsel, requested adjournment of the hearing for the reasons stated therein; and

WHEREAS, by letter dated March 31, 1982, Inland advised the Commission that "Inland does not object to an adjournment to such a date as the Commission may decide is appropriate and reflects the public interest"; and

WHEREAS, in the aforesaid letter of March 30, 1982, TMA, through its Counsel, advised that after April 13, 1982 its application would be amended and a new hearing date would be sought; and



WHEREAS, the Commission is satisfied that the public interest would be served and that no party with a bona fide interest would be prejudiced if the adjournment were granted and a new hearing date set.

NOW THEREFORE, the Commission orders:

1. That the application of TMA set for public hearing commencing at 9:00 a.m. on Friday, April 2, 1982, be adjourned pending receipt of an amended application by TMA, with the consent or approval of Inland, that the matter be again set down for public hearing.
2. That in the event that TMA acquires a majority interest in the outstanding share capital of Inland following the new expiry time in its offer to shareholders TMA, on or before Tuesday, April 20, 1982 file its amended application with the Commission and deposit copies for public examination at the following locations:

TMA Western Resources Ltd.,  
1700-750 West Pender Street,  
Vancouver, British Columbia,  
V6C 2B8.

Inland Natural Gas Co. Ltd.,  
23rd Floor, Oceanic Plaza,  
1066 West Hastings Street,  
Vancouver, British Columbia,  
V6E 3G3.

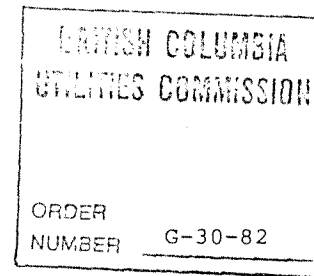
and regional offices at Kamloops, Kelowna, Nelson, Penticton, Prince George, Trail and Vernon.

3. That after April 20, 1982, TMA promptly supply a copy of the amended application to any party with a bona fide interest requesting the same.
4. That TMA file with the Commission on or before April 20, 1982 any additional or amended material, including prepared direct testimony, upon which it proposes to rely when the matter is again set down for hearing.
5. That TMA provide expeditiously to any party with a bona fide interest, copies of all material filed with the Commission in respect of the application or the amended application.

DATED at the City of Vancouver, in the Province of British Columbia, this 1st day of April, 1982.

BY ORDER

*M. Layton*  
Chairman



PROVINCE OF BRITISH COLUMBIA  
BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission  
 Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by TMA  
 Western Resources Ltd. under Section 61  
 thereof

BEFORE:	M. Taylor,	)	
	Chairman;	)	
	M.W. Mulligan,	)	
	Deputy Chairman; and	)	April 15, 1982
	D.B. Kilpatrick,	)	
	Commissioner	)	

O R D E R

WHEREAS an Application has been made by TMA Western Resources Ltd. ("TMA"), with the consent of Inland Natural Gas Co. Ltd. ("Inland"), for approval by the British Columbia Utilities Commission ("the Commission") under Section 61 of the Utilities Commission Act for Inland to make on its books a transfer of shares in the capital of Inland to TMA of a majority interest in the share capital of Inland; and

WHEREAS by Order in Council No. 769, dated April 15, 1982, copy of which is hereto attached, the Lieutenant Governor in Council of the Province of British Columbia ("LGIC") directed the Commission to make this Order.

BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-30-82

2

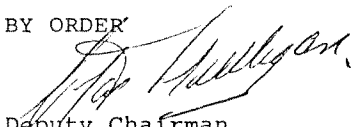
NOW THEREFORE the Commission hereby orders:

- (a) that Inland Natural Gas Co. Ltd. is forbidden from effecting, directly or indirectly, the transfer of any of its shares to TMA Western Resources Ltd., or any agent, assignee or subsidiary thereof.
- (b) that TMA Western Resources Ltd. is forbidden from exercising any voting rights in respect of any shares held by it in Inland Natural Gas Co. Ltd.

until a decision is made by the Commission on the Application referred to in the recital to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 16<sup>th</sup> day of April, 1982.

BY ORDER

  
Deputy Chairman

Attachment



BRITISH



COLUMBIA

I hereby certify that the following is a true copy of a Minute of the Honourable the Executive Council of the Province of British Columbia approved by His Honour the Lieutenant-Governor.

769

APPROVED AND ORDERED APR. 15.1982

Deputy Order-in-Council Castodian

Lieutenant-Governor

EXECUTIVE COUNCIL CHAMBERS, VICTORIA APR. 15.1982

On the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, ~~ORDERED~~

WHEREAS an application has been made by or with the consent of Inland Natural Gas Company Ltd. ("the public utility") for approval by the British Columbia Utilities Commission ("Commission") under section 61 of the Utilities Commission Act to make on its books a transfer of shares in the capital of the public utility to TMA Western Resources Limited ("the corporation") of a majority interest in the share capital of the public utility:

NOW THEREFORE it is ordered that the Commission is directed to forbid

- (a) the public utility from effecting, directly or indirectly, the transfer of any of its shares to the corporation or any agent, assignee or subsidiary of the corporation, and
- (b) the corporation from exercising any voting rights in respect of any shares held by it in the public utility

until a decision is made by the Commission on the application referred to in the recital to this order.

Minister of Energy, Mines and Petroleum Resources

Presiding Member of the Executive Council

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

Authority under which Order is made:

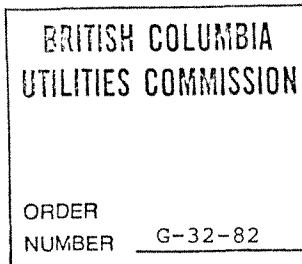
Act and section..... Utilities Commission Act, section 3

Other (specify).....

Authority checked by..... George B. Macaulay

(Signature and stamp of official)

(Official Officer)



PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by TMA  
Western Resources Ltd., under Section 61  
thereof

BEFORE:	M. Taylor,	)	
	Chairman;	)	
	M.W. Mulligan,	)	
	Deputy Chairman;	)	April 21, 1982
	J.D.V. Newlands,	)	
	Deputy Chairman; and	)	
	D.B. Kilpatrick,	)	
	Commissioner	)	

O R D E R

WHEREAS on March 2, 1982, TMA Western Resources Ltd. ("TMA") applied to the Commission pursuant to Section 61 of the Utilities Commission Act (the "Act") for approval of transfer of a majority of voting shares of Inland Natural Gas Co. Ltd. ("Inland"); and

WHEREAS on March 19, 1982, Inland advised the Commission that it consented to the application of TMA and that it would support the granting of the order sought by TMA providing the Commission finds after its review that TMA has satisfied the Commission guidelines; and

WHEREAS the Commission established that a public hearing of the TMA Application commence at 9:00 a.m. Friday, April 2, 1982 at the Commission hearing room; and

INTERVENTIONS

Any interested person intending to appear and participate in the hearing must notify in writing, not later than Monday, May 3, 1982, the Commission Secretary and the Applicant, of the nature of his interest, and provide a Notice of Intention to Intervene.

SUBMISSIONS BY INTERESTED PERSONS

Any such person intending to file a written submission must file not later than Monday, May 10, 1982, ten (10) copies with the Commission Secretary, and five (5) copies with the Applicant.

CLARIFICATION

Interested persons intending to participate in the hearing who are uncertain as to the manner in which to proceed should contact the Commission Secretary by telephone (689-1831), or in writing.

BY ORDER

A.C. Michelson  
Secretary

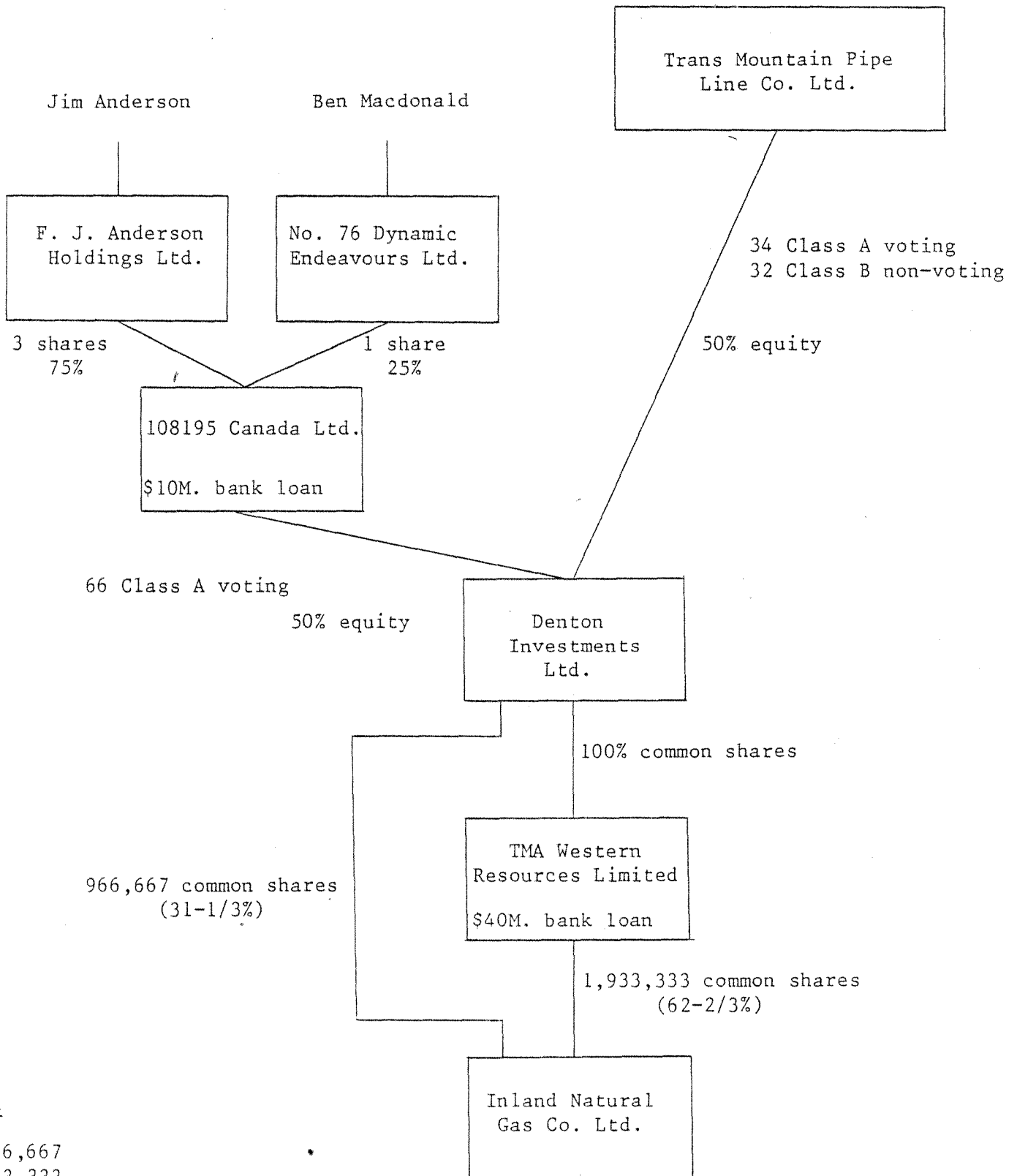
LIST OF EXHIBITSExhibit No.

Affidavit of Publication of Notice dated May 12, 1982	1
Amended Application by TMA Western Resources Ltd, dated April 19, 1982	2
Prepared Direct Evidence, TMA Western Resources Ltd.	3
Response to Request for Additional Infor- mation, dated March 23, 1982	4
Response to Requests for Additional Information, dated May 10, 1982	5
I.G. Nathanson letter dated May 14, 1982	6
Trans Mountain Pipe Line Company Ltd. - May 17, 1982 letter and enclosures	6A
Thorne Riddell letter dated May 17, 1982 and enclosure	6B
Curriculum Vitae, Dennis Falconer Culver, M.B.A., F.C.A.	7
1981 Annual Report, Inland Natural Gas Co. Ltd.	8
Inland Natural Gas Co. Ltd. Interim Report, March 31, 1982	8A
Trans Mountain Pipe Line Company Ltd. Projections, dated May 20, 1982	9
Letter to Mr. C.B. Macdonald from Mr. Dennis F. Culver, dated May 20, 1982, together with a copy of Revisions to the final page of Mr. Culver's Submission dated May 7, 1982 (Exhibit 3, Tab 3)	10

## LIST OF EXHIBITS

### Exhibit No.

Telex, March 10, 1982, J.G. Torrance, Q.C. to William T. Wood, Associate Director - General Compliance Branch, FIRA, re Status of Trans Mountain Pipe Line Company Ltd.	11
Schedule of Assumptions utilized by Mr. Randall in preparing Exhibit 9	12
"Affordability Test Using Straight-Line Repayment of Debt Principal", compiled by Commission Staff, May 25, 1982	13
Data requested by B.C. Utilities Commission dated May 21, 1982 filed by Inland Natural Gas Co. Ltd.	14
Director's Circular (March 9, 1982) - Inland Natural Gas Co. Ltd.	15
Notes for Evidence by D.R. Sinclair, F.C.A.	16
Submission of Alex B. Macdonald, Q.C. M.L.A. dated Friday, April 2, 1982	17
Submission of Alex B. Macdonald, Q.C. M.L.A. dated May 18, 1982	18
Annual Report 1981 of Sunmask Petroleum Corporation	19

Organizational Chart  
Before RestructuringNote

966,667  
 1,933,333  
2,900,000 = 94%

SOURCE: EXHIBIT 6B

# DAVIS & COMPANY

BARRISTERS & SOLICITORS

JUN 18 1982

## APPENDIX D

DAVID HOSSIE  
DUNCAN W. SHAW, Q.C.  
JOHN R. MACKAY  
S. RONALD BASFORD, P.C., Q.C.  
PETER W. BOGARDUS  
ROBERT T. BANNO  
ROBERT E. MARRIOTT  
LARRY PAGE  
D. ROSS CLARK  
JACQUELINE A. KELLY  
VINCENT MORGAN  
MICHAEL P. CARROLL  
JOAN I. MCEWEN  
RODNEY K. WARD  
PETER C. LEE  
JOHN I. MCLEAN  
FRANK S. BOROWICZ  
LEWIS F. HARVEY  
STUART B. MORROW  
DONALD W. COOPER  
JANINE L. THOMAS  
CATHERINE C. GALLOWAY  
GEORGE F. GREGORY

HERBERT C. MILLHAM  
A. W. SUTHERLAND  
WILLIAM J. WRIGHT  
JOHN PEARSON  
PATRICK J. FURLONG  
IRWIN G. NATHANSON  
MARVIN R. V. STORROW  
ROBERT B. D. SWIFT  
GRANT D. BURNYEAT  
ROSS ELLISON  
RODERICK R. SENFT  
J. GARY FITZPATRICK  
JOHN J. L. HUNTER  
A. G. HENDERSON  
R. GLENN MORGAN  
STEPHEN R. SCHACHTER  
P. ALEXANDER SHANDRO  
PAUL R. ALBI  
JAMES I. REYNOLDS  
KENNETH L. H. EMBREE  
ROBERT T. GROVES  
SCOTT G. THOMPSON  
LEO D. CARDELLA

G. K. FUJISAWA  
D. H. C. PATERSON  
DAVID M. JOHNSTON  
ALEC C. ROBERTSON  
JOSEPH M. PELRINE  
J. M. D. TOOTILL  
PETER J. GORDON  
ROWLAND K. McLEOD  
WOLFGANG SCHWEGLER  
DOUGLAS C. MORLEY  
ANNE M. STEWART  
DALE G. SANDERSON  
DAVID H. SEARLE, Q.C.  
ROBERTA K. SHAPIRO  
WARREN H. DOWNS  
WENDY G. BAKER  
RODNEY A. SNOW  
JOHN L. McCONCHIE  
LINDA PARSONS  
ELLIOTT M. MYERS  
BEVERLEY SILVER-CORBER  
ARNOLD FINE

14TH FLOOR, THE BURRARD BUILDING  
1030 WEST GEORGIA STREET  
VANCOUVER, CANADA  
V6E 3C2

TELEPHONE 687-9444  
AREA CODE 604  
CABLE ADDRESS "DAMARELL"  
TELECOPIER 687-1612  
TELEX 04-508528

ASSOCIATE COUNSEL  
C. W. BRAZIER, Q.C. A. T. R. CAMPBELL, Q.C.  
A. W. FISHER, Q.C. A. J. F. JOHNSON, Q.C.  
E. S. THORNE

FILE NO. 32900 11643  
REPLY TO I.G. Nathanson

June 18, 1982

B.C. Utilities Commission  
21st Floor  
1177 W. Hastings Street  
Vancouver, B.C.

DELIVER

Attention: Mr. A.C. Michelson, Secretary

Dear Sirs:

Re: Application of TMA Western Resources  
Ltd. under Sec. 61 of the Utilities  
Commission Act

This letter is to advise you that Messrs. Macdonald and Anderson have taken an investment position in Trans Mountain. I am instructed that these gentlemen have purchased approximately 1,300,000 shares of Trans Mountain (representing approximately 17 per cent of the Common Shares) through a wholly owned subsidiary of 108195 Canada Limited. The subsidiary company is 113214 Canada Limited.

I am instructed that there is no change to any of the plans testified to by the Applicant in the recent hearings before the Commission.

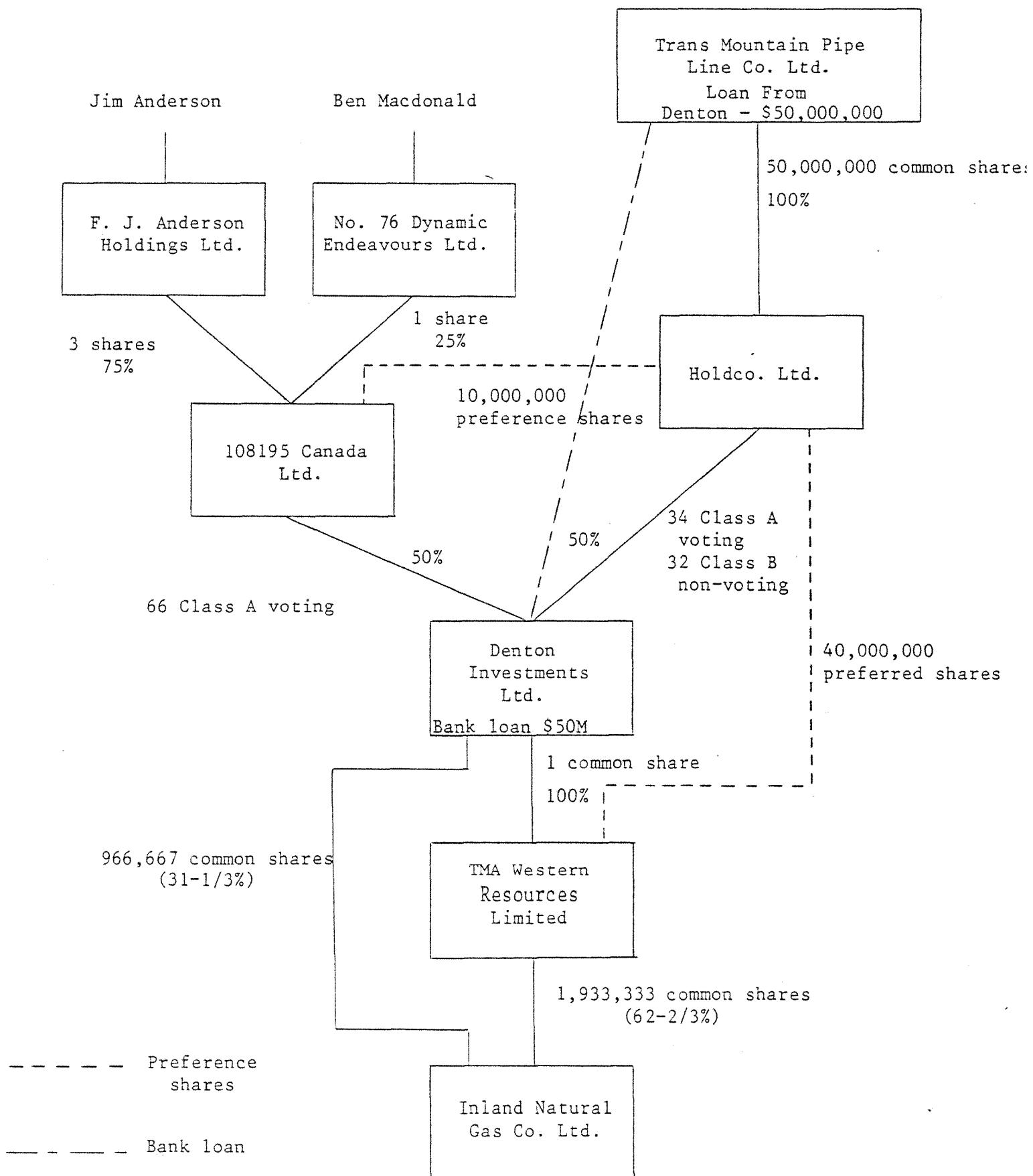
Yours truly,

DAVIS & COMPANY

PER: 

IGN:mr

cc R. Gibbs

Organizational Chart  
After Restructuring



## APPENDIX F

```
graph TD; A[F. J. ANDERSON] --> D[TRANS MOUNTAIN PROP. DEVELOP. OIL & GAS]; B[EX DAWN SHAREHOLDERS] --> D; C[TM SHAREHOLDERS] --> D; D --> E[TARGET UTILITY]; D --> F[TM UTILITY];
```

SOURCE: EXHIBIT 6A

(\$'000)

31:12:81 31:12:82 31:12:83 31:12:84 31:12:85 31:12:86 31:12:87 31:12:88 31:12:89 31:12:90 31:12:91 31:12:92 31:12:93 31:12:94 31:12:95 31:12:96 31:12:97

## FUNDS AVAILABLE TO MEET ACQUISITION DEBT

## INLAND DIVIDEND:

% OF COMMON EARNINGS	64	57	55	55	55	55	55	55	55	55	55	55	55	55	55	55
CENTS PER COMMON SHARE	55	110	122	134	147	156	167	178	191	208	230	252	265	284	301	327
93.8 % THEREOF	2393	3533	3898	4257	4518	4851	5171	5547	6039	6679	7295	7679	8232	8736	9494	10292
TRANS MOUNTAIN CASH FLOW	3897	5847	5391	5315	5226	5143	5065	4987	4906	4812	4694	4684	4660	4665	4701	4770
TOTAL FUNDS AVAILABLE	6290	9380	9289	9572	9744	9994	10236	10534	10945	11491	11989	12363	12892	13401	14195	15062

## ANNUAL COVERAGE ON ACQUISITION DEBT OF \$57500000 EXPRESSED AS RESIDUAL FUNDS

## SIMPLE INTEREST:

12% @ \$6900	3897	6089	5998	6282	6453	6703	6945	7244	7654	8201	8698	9073	9601	10110	10904	11771
18% @ \$10350	3897	2928	3073	3454	3719	4080	4457	4917	5524	6307	7053	7427	7956	8465	9259	10126
24% @ \$13800	3897	-522	-377	4	269	630	1007	1467	2074	2857	3645	4151	4789	5430	6383	7437

## AMORTIZATION:

12% FOR 15 YEARS @ \$8011	3897	4753	4565	4740	4790	4904	4994	5122	5341	5673	5931	6038	6265	6437	6854	7298
14% FOR 15 YEARS @ \$8810	3897	4468	4305	4480	4526	4633	4714	4827	5027	5334	5556	5618	5791	5894	6226	6564
16% FOR 15 YEARS @ \$9626	3897	3652	3797	4178	4245	4349	4422	4525	4709	4992	5184	5204	5322	5354	5595	5944
18% FOR 15 YEARS @ \$10456	3897	2822	2967	3348	3613	3974	4120	4216	4387	4651	4814	4795	4858	4819	4965	5065
20% FOR 15 YEARS @ \$11297	3897	1981	2126	2507	2772	3133	3510	3901	4061	4309	4446	4391	4402	4290	4340	4313
22% FOR 15 YEARS @ \$12144	3897	1134	1279	1660	1925	2286	2663	3123	3733	3967	4083	3993	3954	3771	3719	3557
24% FOR 15 YEARS @ \$12996	3897	282	427	808	1073	1434	1811	2271	2878	3626	3723	3601	3515	3260	3108*	2802

## CUMULATIVE COVERAGE ON ACQUISITION DEBT OF \$57500000 EXPRESSED AS RESIDUAL FUNDS

## SIMPLE INTEREST:

12%	3897	9986	15984	22266	28719	35422	42368	49611	57266	65467	74165	83237	92839	102949	113853	125624
18%	3897	6825	9898	13352	17071	21150	25607	30524	36049	42356	49409	56836	64792	73257	82516	92641
24%	3897	3375	2998	3002	3271	3900	4907	6374	8449	11306	14951	19102	23891	29321	35703	43140

## AMORTIZATION:

12%	3897	8650	13216	17955	22745	27649	32642	37764	43105	48779	54709	60747	67012	73449	80303	87601
14%	3897	8365	12670	17150	21676	26310	31024	35851	40877	46211	51767	57386	63177	69070	75296	81861
16%	3897	7549	11346	15524	19769	24117	28540	33065	37773	42765	47949	53153	58475	63829	69424	75244
18%	3897	6719	9686	13034	16647	20620	24741	28956	33344	37994	42808	47603	52462	57280	62245	67314
20%	3897	5878	8004	10511	13283	16415	19925	23826	27887	32196	36642	41033	45435	49726	54066	58379
22%	3897	5031	6310	7970	9895	12180	14843	17966	21700	25667	29751	33744	37698	41468	45188	48745
24%	3897	4179	4606	5414	6487	7920	9731	12002	14881	18507	22230	25831	29346	32606	35714	38516

SOURCE: EXHIBIT

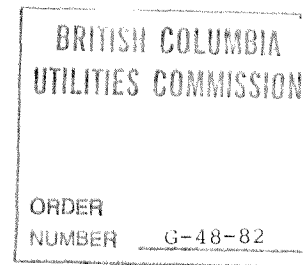
AFFORDABILITY TEST USING STRAIGHT LINE REPAYMENT OF DEBT AND PRINCIPAL

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Dividends	2393	3533	3898	4257	4518	4851	5171	5547	6039	5796	7295	7679	8232	8736	9494	10292
Debt	57500	57500	53667	49834	46001	42168	38335	34502	30669	26836	23003	19170	15337	11504	7671	3833
Repayment of Debt	-	3833	3833	3833	3833	3833	3833	3833	3833	3833	3833	3833	3833	3833	3833	3833
Interest @9%	5175	5175	4830	4485	4140	3795	3450	3105	2760	2415	2070	1725	1380	1035	690	345
Affordability (with Inland Dividend)	(2782)	(5475)	(4765)	(4061)	(3455)	(2777)	(2112)	(1391)	(554)	431	1392	2121	3090	3868	4971	6114
TM Cash Flow	3897	5847	5391	5315	5226	5143	5065	4987	4906	4812	4694	4684	4660	4665	4701	4770
Affordability (with TM Cash Flow)	1115	372	626	1254	1771	2366	2953	3596	4352	5243	6086	6805	7750	8533	9678	10884

BRITISH COLUMBIA COMMISSION		
EXHIBIT 13		
HEARING NO.	ENTERED BY	DATE
	GIBBS	25/4/82

SOURCE: EXHIBIT 13

Prepared by: Commission Staff, May 25, 1982



PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by  
TMA Western Resources Ltd., under  
Section 61 thereof

BEFORE: M. Taylor, )  
Chairman; )  
D.B. Kilpatrick, ) June 30, 1982  
Commissioner; and )  
R.J. Ludgate, )  
Commissioner )

O R D E R

WHEREAS TMA Western Resources Ltd. ("TMA")  
applied for approval of the transfer of the majority of the  
voting shares of Inland Natural Gas Co. Ltd. ("Inland")  
pursuant to Section 61 of the Utilities Commission Act ("the  
Act"); and

WHEREAS Inland consented to the hearing of the  
Application; and

WHEREAS the evidence and argument of, and on  
behalf of TMA, Inland, and other interested parties was  
heard in public forum in Vancouver during the period May 18,  
1982 to May 27, 1982, pursuant to Orders G-24-82 dated  
March 18, 1982; G-27-82 dated April 1, 1982; and G-32-82  
dated April 21, 1982.

.../2

BRITISH COLUMBIA UTILITIES COMMISSION	
ORDER NUMBER	G-48-82

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NOW THEREFORE the Commission hereby orders:

1. That the Application be denied.
2. That Inland consult with the Commission prior to implementing any material change in service, extension, financing and dividend policies, and prior to committing to any material investment in business ventures not directly related to providing utility services.

DATED at the City of Vancouver, in the Province  
of British Columbia, this 30th day of June, 1982.

BY ORDER



Chairman



## NOTICE OF PUBLIC HEARING

### THE APPLICATION

TMA Western Resources Ltd. ("TMA"), a subsidiary of Denton Investments Ltd., which in turn is jointly owned by Trans Mountain Pipe Line Company Ltd., and 108195 Canada Limited, has filed an amended Application with the British Columbia Utilities Commission ("the Commission") under Section 61 of the Utilities Commission Act ("the Act"), (with the consent of Inland Natural Gas Co. Ltd. ("Inland")), for approval of the Commission to the transfer on the books of Inland of a majority interest in Inland's outstanding share capital.

### THE PUBLIC HEARING

The Commission has ordered that the amended Application of TMA be heard in public commencing at 10:00 a.m., local time, on Tuesday, May 18, 1982, at the Commission hearing room:

21st Floor  
Board of Trade Tower  
1177 West Hastings Street  
Vancouver, British Columbia  
V6E 2L7.

### PUBLIC INSPECTION OF APPLICATION MATERIAL

Copies of the amended Application and related materials filed with the Commission will be available for inspection at the following locations:

TMA Western Resources Ltd.  
1700-750 West Pender Street  
Vancouver, British Columbia  
V6C 2B8

Inland Natural Gas Co. Ltd. (Head Office)  
23rd Floor  
1066 West Hastings Street  
Vancouver, British Columbia  
V6E 3G3

Inland Natural Gas Co. Ltd. (Regional Offices)  
Kamloops, Kelowna, Nelson,  
Penticton, Prince George,  
Trail and Vernon

British Columbia Utilities Commission  
21st Floor  
1177 West Hastings Street  
Vancouver, British Columbia  
V6E 2L7.

BRITISH COLUMBIA  
UTILITIES COMMISSION

2

ORDER  
NUMBER G-32-82

WHEREAS on March 30, 1982 TMA advised the Commission of the extension from March 29, 1982 to April 13, 1982 of its offer to purchase common shares of Inland and requested an adjournment of the April 2, 1982 hearing; and

WHEREAS the Commission assented to the adjournment and issued Order No. G-27-82, declaring that a new hearing date would be established on receipt of an amended Application from TMA; and

WHEREAS TMA filed with the Commission an amended Application on Monday, April 19, 1982; and

WHEREAS Inland, on April 21, 1982 advised the Commission that it consents to TMA making the amended Application, and to a public hearing thereof.

NOW THEREFORE the Commission hereby orders as follows:

1. The amended Application of TMA is set for public hearing commencing at 10:00 a.m., local time, on Tuesday, May 18, 1982 at the Commission hearing room:  
  
21st Floor  
Board of Trade Tower  
1177 West Hastings Street  
Vancouver, B.C.  
V6E 2L7.
2. TMA will promptly publish a Notice of Public Hearing, as per attached copy, in one issue each of The Vancouver Province, The Vancouver Sun, and suitable local newspapers covering the service area of Inland Natural Gas Co. Ltd.
3. TMA will make a copy of the amended Application available for public inspection at the office of the Commission, and at the following locations:  
  
- the office of TMA  
1700-750 West Pender Street  
Vancouver, B.C.  
V6C 2B8

BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-32-82

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- the Head Office of Inland  
23rd Floor  
1066 West Hastings Street  
Vancouver, B.C.  
V6E 3G3
  - the regional offices of Inland at  
Kamloops, Kelowna, Nelson,  
Penticton, Prince George, Trail  
and Vernon.
4. TMA will file prepared direct testimony with the Commission on or before Monday, April 26, 1982 and any additional or amended material upon which it proposes to rely.
  5. TMA will provide expeditiously to any interested party so requesting, copies of all material filed with the Commission in respect of the Application.
  6. Any interested person wishing to be present at and participate in the hearing should notify in writing, not later than Monday, May 3, 1982, the Commission Secretary, and the Applicant, of the nature of his interest, and provide a Notice of Intention to Intervene.
  7. Any interested person wishing to make a written submission should provide, not later than Monday, May 10, 1982, ten (10) copies thereof to the Commission Secretary, and five (5) copies to the Applicant.

DATED at the City of Vancouver, in the Province  
of British Columbia, this 21<sup>st</sup> day of April, 1982.

BY ORDER

*M. Layton*  
Chairman

Attachment



# DOCUMENT SUMMARY

Document Id: 0157A  
Document Name: DECISION - TMA WESTERN  
Operator: C. SMITH/S. WERNER  
Author: J. LUDGATE /R. GIBBS

Comments: June 30, 1982

## STATISTICS

OPERATION	DATE	TIME	WORKTIME	KEYSTROKES
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