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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-105-95

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

and

A Joint Application by Centra Gas British Columbia Inc. and
Pacific Coast Energy Corporation
for Approval to Issue Common Equity and Debt Financing

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr, Deputy Chairperson) December 8, 1995

O R D E R

WHEREAS:

- A. On December 3, 1995 Centra Gas British Columbia Inc. ("Centra Gas") and Pacific Coast Energy Corporation ("PCEC") ("the Companies") jointly applied to the Commission ("the Application"), pursuant to Sections 57, 59 and 61 of the Utilities Commission Act ("the Act") for approval to issue common equity and debt for the purposes of financing the existing rate base and ongoing capital expenditures of both Companies and to grant security, including security over common shares, in conjunction with such financing; and
- B. Centra Gas and PCEC expect to enter into a new agreement with the Province of British Columbia, identified as the Vancouver Island Natural Gas Pipeline Agreement ("the New Agreement"), to restructure the terms under which natural gas service is provided to customers on Vancouver Island and the Sunshine Coast; and
- C. A condition precedent to the refinancing application is to combine the Vancouver Island and Sunshine Coast utility assets and refinance the combined operations of Centra Gas and PCEC (identified as "New Centra B.C."). A holding company, a subsidiary of Westcoast Energy Inc., of New Centra B.C. will be created and known as Centra Gas Pacific Inc. ("Centra Pacific"); and
- D. The Application includes Term Sheets outlining credit facilities for New Centra B.C. provided by the Canadian Imperial Bank of Commerce ("CIBC"); and
- E. The Province of British Columbia provided a letter of support to the Commission assuring the major aspects of the proposed financing are consistent with the requirements of current markets and appropriate for a utility of this type, and recommending that the Commission accept the proposed financing request; and
- F. The Commission has reviewed the proposed equity issue and financial package and finds that approval is necessary and in the public interest.


NOW THEREFORE the Commission orders as follows:

- 1.0 Pursuant to Section 57 of the Act, the Commission approves for New Centra B.C.:
 - 1.1 The issuance of debt by New Centra B.C. pursuant to the Utility, Pioneer and Expansion tranches, and the Subordinated Financing, on the terms and conditions outlined in the term sheets attached as Appendix A to the Application;
 - 1.2 The issuance of up to \$55 million of common shares by New Centra B.C. to Centra Pacific;
 - 1.3 The granting of security by New Centra B.C. to secure the Utility, Pioneer and Expansion tranches, the Subordinated Financing, the Working Capital Facility and other indebtedness and obligations of New Centra B.C. contemplated to be secured under the Trust Deed;
 - 1.4 The granting of a security interest to CIBC Wood Gundy Capital in the common shares of New Centra B.C. held or to be held by Centra Pacific;
 - 1.5 The extent of Pioneer tranche financing to be utilized and limited as necessary to finance 65 percent of the approved rate base and, if funded by Subordinated Financing, to be refinanced as soon as feasible in future to maintain the lowest debt costs possible for New Centra B.C.; and
 - 1.6 All of the above are subject to:
 - 1.6.1 the closing of the New Agreement;
 - 1.6.2 the issuance of a new Special Direction from the Lieutenant Governor in Council as contemplated under the New Agreement;
 - 1.6.3 the issuance of a Special Direction requiring the BCUC to rescind Order No. G-16-90 as it applies to financing from Westcoast Energy Inc.;
 - 1.6.4 the issuance of an exemption order by the Lieutenant Governor in Council respecting the reorganization of Centra Gas and PCEC; and
 - 1.6.5 the filing of all final documents with the Commission on a timely basis.
- 2.0 The Commission will examine the cost of financing on an on-going basis and expects New Centra B.C. to replace the proposed debt with lower cost debt as financial markets allow.

The restructuring and refinancing of Centra Gas and PCEC will be carried out in conjunction with the approval given by Commission Order No. G-78-95 and will be restructured along with the Fort St. John, Whistler and Port Alice Divisions.

DATED at the City of Vancouver, in the Province of British Columbia, this *8th* day of December, 1995.

BY ORDER


Dr. Mark K. Jaccard
Chairperson

Attachment