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CANADA



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-28-96

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

and

An Application by Centra Gas British Columbia Inc.
for Approval of a Risk Management Strategy

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr, Deputy Chairperson) March 15, 1996

O R D E R

WHEREAS:

- A. Commission Order No. G-105-95 provided conditional approval of an application jointly filed by Centra Gas British Columbia Inc. ("Centra Gas") and Pacific Coast Energy Corporation ("PCEC") ("the Companies") 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. The Companies underwent a reorganization as part of a new agreement with the Province of British Columbia, identified as the Vancouver Island Natural Gas Pipeline Agreement ("the New Agreement"), which restructured the terms under which natural gas service is provided to customers on Vancouver Island and the Sunshine Coast. The reorganization resulted in Centra Gas transferring its Vancouver Island and Sunshine Coast assets to PCEC and PCEC being renamed Centra Gas British Columbia Inc.; and
- C. In accordance with the New Agreement and Order No. G-105-95 Centra Gas refinanced the combined operations and issued debt totaling \$208 million with interest at a floating rate; and
- D. On March 8, 1996 Centra Gas applied to the Commission, pursuant to Section 57 of the Utilities Commission Act ("the Act"), for approval to implement a risk management strategy for rate base financing ("the Application"); and

- E. In its risk management strategy Centra Gas intends to use interest rate swaps to fix the interest cost of a majority of its floating rate debt. Centra Gas proposes to fix the cost of debt of \$35 million for 5 years, \$60 million for 7 years and \$95 million for 8 years. Centra Gas anticipates that the weighted average cost of debt after executing the swaps should be about 8.25 percent; and
- F. The Commission has reviewed the Application and supporting material and finds that approval of the risk management strategy is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves in principle for Centra Gas, pursuant to Section 57 of the Act, the risk management strategy as applied for in the March 8, 1996 Application.
2. Centra Gas is to apply to the Commission, prior to placement of an interest rate swap, for approval of a range of interest rates or a maximum interest rate resulting from the interest rate swap.
3. Following the placement of the interest rate swap Centra Gas is to provide the Commission with the final pricing information.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of March, 1996.

BY ORDER

Original signed by:

Lorna R. Barr
Deputy Chairperson