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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-120-96

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

and

An Application by Pacific Northern Gas Ltd.
for Approval to Issue Cumulative Redeemable Junior Preferred Shares

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr, Deputy Chairperson) December 12, 1996

O R D E R

WHEREAS:

- A. On December 9, 1996 Pacific Northern Gas Ltd. ("PNG") applied to the Commission for approval to issue Cumulative Redeemable Junior Preferred Shares ("Junior Preferred Shares") to Centra Gas Vancouver Island Inc. ("Centra Gas Vancouver Island"), pursuant to Section 57(2) of the Utilities Commission Act ("the Act"); and
- B. Centra Gas Vancouver Island is the owner of all outstanding shares of Centra Gas Victoria Inc. ("Centra Gas Victoria"), the only assets of which are non-capital income tax losses in the amount of \$34,731,139; and
- C. The Junior Preferred Shares are redeemable in total for \$13,909,821 and are to be issued as consideration for the acquisition by PNG from Centra Gas Vancouver Island of all outstanding shares of Centra Gas Victoria; and
- D. Centra Gas Victoria will be wound up into PNG in order to facilitate the use of the non-capital income tax losses by PNG; and
- E. The Junior Preferred Shares are to be redeemed over time at the rate of 90 percent of the tax savings realized by PNG in any particular year. PNG will retain 10 percent of the tax savings as non-regulated income; and
- F. The Commission has reviewed the share transaction and finds that approval is necessary and in the public interest.

NOW THEREFORE the Commission, pursuant to Section 57(2) of the Act, approves for PNG the issuance of \$13,909,821 of Cumulative Redeemable Junior Preferred Shares to Centra Gas Vancouver Island as consideration for all outstanding shares of Centra Gas Victoria, effective immediately.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of December, 1996.

BY ORDER

Original signed by:

Dr. Mark K. Jaccard
Chairperson