

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-18-04

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by Fortis Pacific Holdings Inc. to Acquire
A Reviewable Interest in Aquila Networks Canada (British Columbia) Ltd.

and

An Application by Aquila Networks Canada (British Columbia) Ltd.
to Register a Transfer of its Common Shares to Fortis Pacific Holdings Inc.

BEFORE: L.A. Boychuk, Panel Chair)
Commissioner) February 6, 2004
L.F. Kelsey, Commissioner)
R. Milbourne, Commissioner)

O R D E R

WHEREAS:

- A. On December 1, 2003, Fortis Pacific Holdings Inc. ("Fortis Pacific") applied pursuant to Section 54 of the Utilities Commission Act ("the Act") for an Order approving the acquisition of a reviewable interest in Aquila Networks Canada (British Columbia) Ltd. ("Aquila") from Aquila Networks British Columbia Ltd. ("ANBC"); and
- B. On December 1, 2003, Aquila applied pursuant to Section 54(5) of the Act for approval to register a transfer of 100 percent of its Common Shares to Fortis Pacific; and
- C. Fortis Pacific is a company incorporated in British Columbia and is an indirect wholly-owned subsidiary of Fortis Inc. ("Fortis"), a diversified Canadian electric utility holding company with assets of over \$2 billion and annual revenues of approximately \$800 million; and
- D. ANBC currently owns 100 percent of the issued and outstanding Common Shares of Aquila; and
- E. Fortis has entered into a September 15, 2003 Agreement with ANBC and has assigned the right to purchase all of the issued and outstanding Common Shares of Aquila to Fortis Pacific; and
- F. In its Application, Aquila requested an order directing that the proceeds of sale of the issued and outstanding Common Shares are, in their entirety, to be allocated to or otherwise accrued to the benefit of the shareholders of ANBC; and

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- G. Various services are provided to Aquila by ANBC or its affiliates and Fortis states that it will provide these services through its affiliates or cause Aquila to develop the necessary capacity to provide these services on a stand-alone basis in a manner that ensures that there is no adverse effect on services provided to customers; and
- H. Section 54(9) of the Act states:
- “The commission may give its approval under this section subject to conditions and requirements it considers necessary or desirable in the public interest, but the commission must not give its approval under this section unless it considers that the public utility and the users of the service of the public utility will not be detrimentally affected.”; and
- I. Fortis and Aquila have jointly undertaken a stakeholder communication and consultation program in the Aquila service area and have submitted a summary of the comments to the Commission. Based on the January 27, 2004 response of Fortis’ counsel to the Commission’s letter dated January 21, 2004 (Commission Information Request No. 1), the Commission notes that there were no general notices or invitations to participate and the stakeholder communication and consultation process undertaken by Fortis and Aquila was not open to all stakeholders in the service area; and
- J. The Commission has determined that given the level of interest and concern expressed by the general public in the most recent proceedings of a similar nature involving the utility, an opportunity for the public to make submissions and for the Applicants to respond to those submissions would be beneficial to the Commission in determining public interest and user impact issues.

NOW THEREFORE the Commission orders as follows:

1. A written public hearing process will be undertaken to review the Applications.

Regulatory Timetable

Notice Issued/Published	Immediately
Registration as an Intervenor	February 24, 2004
Information Requests to Aquila/Fortis	March 2, 2004
Information Responses by Aquila/Fortis	March 9, 2004
Intervenor Written Comments	March 15, 2004
Aquila/Fortis Comments	March 19, 2004

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2. The process described above may be suspended, adjusted or expanded depending upon the nature and level of interest expressed.
- 2.1 Fortis and Aquila jointly, are to publish, as soon as possible, in display-ad format, the Notice of Application/Written Process in the Vancouver Sun and Province Newspapers and in appropriate local news publications in the service area so as to properly provide adequate notice to customers.
- 2.2 The Fortis Pacific and Aquila Applications, including responses to Commission information requests, and supporting material will be made available for inspection at public Libraries in Castlegar, Creston, Grand Forks, Kelowna, Oliver, Penticton and Trail, at the Head Office of Aquila at 1290 Esplanade, Trail, B.C., V1R 4L4 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C. V6Z 2N3.
- 2.3 Fortis and Aquila jointly, are to provide a copy of this Order, by facsimile if possible, to all parties that participated and/or were invited to participate in the stakeholder communication and consultation program.
- 2.4 Intervenors and Interested Parties should inform the Commission, in writing, by February 24, 2004 of their intention to intervene and/or participate actively in the public process.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of February 2004.

BY ORDER

Original signed by:

Lori Ann Boychuk
Panel Chair and Commissioner

Attachment



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FORTIS PACIFIC HOLDINGS INC.
Application for Approval of the Acquisition of a Reviewable Interest
In Aquila Networks Canada (British Columbia) Ltd.

NOTICE OF APPLICATION/WRITTEN PROCESS

THE APPLICATION

Fortis Pacific Holdings Inc. ("Fortis Pacific" or "the Company") has applied to the British Columbia Utilities Commission ("the Commission") for approval of the Acquisition by Fortis Pacific of a reviewable interest in Aquila Networks Canada (British Columbia) Ltd. ("Aquila"). It is proposed that Aquila will be a wholly-owned direct subsidiary of Fortis Pacific, a British Columbia company which will, in turn, be a wholly-owned direct subsidiary of FortisWest Inc. which is a wholly-owned subsidiary of Fortis Inc. ("Fortis"). Fortis proposes to maintain the head office of Aquila within its service area and to establish and operate Aquila on a stand-alone basis. The premium that Fortis Pacific will pay over the book value for Aquila's shares will not be recoverable in regulated electricity rates. Aquila has also applied to the Commission for approval of the transfer of shares from Aquila Networks British Columbia Ltd. ("ANBC") to Fortis Pacific and an order directing that the proceeds of sale accrue to the benefits of ANBC shareholders. Fortis and Aquila conducted a stakeholder consultation process in November 2003.

THE REGULATORY PROCESS

On January 27, 2004, Fortis provided a response to the Commission's letter of January 21, 2004 (Commission Information Request No. 1) concerning the Fortis Pacific application. By Order No. G-18-04 the Commission determined that a public notice should be issued and a written process established to consider the Application as follows:

Registration as an Intervenor	February 24, 2004
Intervenor Information Requests to Aquila/Fortis	March 2, 2004
Information Responses by Aquila/Fortis	March 9, 2004
Intervenor Written Comments	March 15, 2004
Aquila/Fortis Comments	March 19, 2004

The process described above may be suspended, adjusted or expanded depending upon the nature and level of interest expressed by registered intervenors and interested parties.

PUBLIC INSPECTION OF THE APPLICATION

The Fortis Pacific and related Aquila applications and supporting material, including Commission correspondence, will be made available for inspection at public Libraries in Castlegar, Creston, Grand Forks, Kelowna, Oliver, Penticton and Trail, at the Head Office of Aquila at 1290 Esplanade, Trail, B.C., V1R 4L4 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3

REGISTERING TO PARTICIPATE

Persons who are interested in the Application and who intend to participate in a public review process should register as an intervenor with the Commission, in writing, by February 24, 2004 and outline the nature of their interest. Intervenors will receive copies of the Application, Order No. G-18-04 and all correspondence and filed documentation.

Persons not expecting to actively participate in the process, but who have an interest in the applications must register by February 24, 2004. Interested parties will receive a copy of the Application, on request, and will receive copies of all Orders issued.

FURTHER INFORMATION

If you would like to participate but are uncertain how to proceed, please contact Mr. Robert J. Pellatt, Commission Secretary or Mr. Barry McKinlay, Manager, Rates and Finance, as follows:

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Facsimile: (604) 660-1102

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E-mail: commission.secretary@bcuc.com