

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-136-05

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**An Application by Terasen Gas (Vancouver Island) Inc.
for Approval for the incurrence of indebtedness under
the Term Credit Agreement and PCEPA Repayment Credit Agreement**

BEFORE: L.F. Kelsey, Commissioner
L.A. Boychuk, Commissioner December 15, 2005

O R D E R

WHEREAS:

- A. On November 30, 2005, Terasen Gas (Vancouver Island) Inc. ("TGVI") applied to the Commission pursuant to Section 50(2) of the Utilities Commission Act ("the Act") for approval for the incurrence of indebtedness by TGVI under two credit agreements ("the Application"); and
- B. The first credit agreement is between TGVI, Royal Bank of Canada and other lenders, and Royal Bank of Canada as an administrative agent for the lenders, providing for an unsecured revolving five year term credit facility in the principal amount of up to \$350 million ("Term Credit Agreement"); and
- C. On December 14, 1995, the Government of Canada, the Province of British Columbia ("the Province") and Pacific Coast Energy Corporation (now TGVI) entered into the Pacific Coast Energy Pipeline Agreement ("PCEPA"). Under the PCEPA the \$75 million of these government contributions were reconstituted and became payable in accordance with the terms of the PCEPA; and
- D. On January 9, 1996, Centra Gas British Columbia Inc. (now TGVI) entered into a credit agreement with various lenders ("the 1996 Credit Agreement") under which a secured credit facility in the principal amount of \$275 million was made available. Since Terasen Inc.'s acquisition of TGVI, Terasen Inc. has made unsecured short term or demand advances to TGVI. These advances amount to approximately \$90 million as at October 31, 2005; and
- E. The second credit agreement is between TGVI and Royal Bank of Canada providing for an unsecured non-revolving seven year term credit facility in the principal amount of up to \$20 million for the repayment of the government contributions under the terms of the PCEPA ("PCEPA Repayment Credit Agreement"); and
- F. TGVI submits the Term Credit Agreement and PCEPA Repayment Credit Agreement will be substantially on the terms set forth in each of the confidential term sheets and pricing no more than 25 basis points wider than the relevant margins and standby fees in Appendix 1 of the Application; and

- G. The Term Credit Agreement will permit advances to be used by TGVI to repay the amount owing under the 1996 Credit Agreement and the inter-company debt owed to Terasen Inc. as well as for general corporate purposes including working capital requirements and capital expenditures; and
- H. The PCEPA Repayment Credit Agreement will have the attributes required of non-governmental debt financing under the PCEPA and therefore repayments will be required on the government contributions. The available amount of \$20 million will be sufficient to finance the debt component of repayments of the contributions from the Government of Canada and the Province; and
- I. Under both the Term Credit Agreement and the PCEPA Prepayment Credit Agreement, interest rate margins on prime rate advances and bankers' acceptances and standby and utilization fees are based on a pricing grid tied to the credit rating applicable to TGVI's senior unsecured debt, and are adjusted with upward or downward changes in the credit rating. The proposed rates and fees are contained in Appendix 1 of the Application; and
- J. The Commission issued a confidential information request on December 6, 2005. TGVI filed the information responses including a confidential portion on December 9, 2005. The Commission will hold confidential the information filed on a confidential basis in the Application, and the information requests and responses; and
- K. Commission Order No. G-116-05 approved the Kinder Morgan, Inc. ("KMI") acquisition of the common shares of Terasen Inc. subject to the conditions contained in the Decision accompanying that Order. One of the conditions provided that TGVI shall establish separate banking and cash management arrangements from other affiliates once it has completed its proposed financing; and
- L. TGVI submits upon completion of the financing it will implement separate banking and cash management arrangements as directed in Commission Order No. G-116-05; and
- M. Execution of the proposed financing will allow the inter-company advances provided by Terasen Inc. to be repaid with the new bank debt. TGVI demonstrates in Appendix 2 of the Application and in the information responses the capital structure of TGVI both before and after the financing is consistent with Commission Order No. G-116-05; and
- N. Additionally, TGVI provided a November 29, 2005 letter from Dominion Bond Rating Service ("DBRS") stating that since TGVI is both rated and regulated on a stand-alone basis, DBRS does not believe the KMI acquisition of TGVI's parent poses any credit implications or operational risk to TGVI; and
- O. The Commission has reviewed the Application, supporting material and information responses and finds that approval of the Application is warranted and in the public interest.

NOW THEREFORE pursuant to Sections 23 and 50(2) of the Act, the Commission orders as follows:

- 1. The Commission approves for TGVI the incurrence of indebtedness by TGVI from time to time under the Term Credit Agreement and the PCEPA Repayment Credit Agreement, subject to the credit agreements being substantially similar to the terms set forth in the confidential term sheets, and pricing no more than 25 basis points wider than the relevant margins and standby fees in Appendix 1 of the Application.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-136-05

3

2. TGVI shall file with the Commission within one week of issue, the pricing grid for each of the Term Credit Agreement and the PCEPA Repayment Credit Agreement.
3. TGVI shall file with the Commission within one week of when TGVI establishes separate banking and cash management arrangements from other affiliates, a report that demonstrates that the arrangements meet the condition as directed in Commission Order No. G-116-05.
4. TGVI shall file with the Commission a report for each year detailing the actual annual activity and year-end balances for the Term Credit Agreement and the PCEPA Repayment Credit Agreement.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of December 2005.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner