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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-11-05

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

and

**An Application by Pacific Northern Gas (N.E.) Ltd.
for Approval to Provide a Guarantee and Issue Security**

BEFORE: L.F. Kelsey, Commissioner)
K.L. Hall, Commissioner) January 20, 2005

O R D E R

WHEREAS:

- A. On November 23, 2004, Pacific Northern Gas (N.E.) Ltd., ["PNG(N.E.)"] applied to the Commission (the "Application"), pursuant to Sections 50 and 52 of the Utilities Commission Act ("the Act"), for approval for PNG(N.E.) to grant security to BMO Bank of Montreal ("BMO") for a new Credit Facility of \$20,000,000 that PNG(N.E.) and Pacific Northern Gas Ltd. ("PNG") are obtaining from BMO in place of the current demand operating line with the National Bank of Canada ("NBC"), together with the provision by PNG(N.E.) of a Guarantee to BMO for amounts owned by PNG to BMO under the Credit Facility and for PNG's obligations under a new Risk Management Facility provided by BMO; and
- B. The security to be granted by PNG(N.E.) for this new Credit Facility and for this Guarantee includes the granting of a security interest in PNG(N.E.)'s accounts receivable and inventory; and
- C. On November 23, 2004, PNG(N.E.) provided the Commission a copy of the Term Sheet dated November 1, 2004 among BMO, PNG and PNG(N.E.). The proposed Credit Facility, the Guarantee and the security therefore were approved by PNG(N.E.)'s Board of Directors on November 16, 2004; and
- D. PNG(N.E.) has historically relied on PNG's operating facility, or joined with PNG in obtaining such operating facility, for all of its short-term debt requirements; and
- E. PNG(N.E.) would not be able to obtain an operating line solely under its own name with terms and conditions any more attractive than PNG and PNG(N.E.) have obtained from BMO; and
- F. The Commission issued Order No. G-109-04 approving PNG(N.E.)'s November 23, 2004 Application; and
- G. PNG's outside legal counsel advised PNG on January 3, 2005 that Order No. G-109-04 did not specifically approve the granting of security and guarantee as required to enable legal counsel to prepare a legal opinion stating that all necessary approvals have been obtained from the Commission; and

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- H. On January 13, 2005, PNG(N.E.) requested the Commission to issue a new Order that would provide the wording required by outside legal counsel regarding the specifics relating to the provision of a guarantee and security as described in the Application and as clarified in PNG's January 13, 2005 letter to the Commission; and
- I. The Commission finds that approval of the Application, as clarified by PNG's letter to the Commission dated January 13, 2005, is in the public interest.

NOW THEREFORE the Commission approves, pursuant to Sections 50 and 52 of the Act, PNG(N.E.)'s Application for a new credit facility of \$20,000,000 with BMO, the provision of a guarantee to BMO in respect of the obligations of PNG for the credit facility and a risk management facility, and the provision of security for the credit facility and guarantee.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of January 2005.

BY ORDER

Original signed by:

L.F. Kelsey,
Commissioner