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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-10-05

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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 Ltd.
for Approval to Provide a Guarantee and Issue Security**

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

O R D E R

WHEREAS:

- A. On November 23, 2004, Pacific Northern Gas Ltd. ("PNG") applied for Commission approval (the "Application") under Sections 50 and 52 of the Utilities Commission Act ("the Act") for PNG to grant security to BMO Bank of Montreal ("BMO") for a new Credit Facility of \$20,000,000 that PNG and Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] are obtaining from BMO in place of the current demand operating line with the National Bank of Canada ("NBC") and a new Risk Management Facility provided by BMO to PNG for up to \$15,000,000 of credit risk exposure and a maximum mark to market exposure of \$20,000,000, together with the provision by PNG of a Guarantee to BMO for amounts owed by PNG(N.E.) to BMO under the Credit Facility; and
- B. The security to be granted by PNG for this new Credit Facility and this Risk Management Facility from BMO and for this Guarantee includes the granting of a security interest in PNG's accounts receivable and inventory and the pledging of a debenture in the principal amount of \$40,000,000 pursuant to PNG's Trust Indenture, such debenture to mature 18 months from the date of issuance unless renewed by BMO for successive periods each of 364 days after approving a request by PNG and PNG(N.E.) for extension of the Credit Facility and Risk Management Facility in accordance with their terms; and
- C. The BMO Credit Facility and Risk Management Facility replace the existing \$25,000,000 Credit Facility obtained by PNG and PNG(N.E.) from the NBC that bore interest at that bank's prime rate and/or bankers acceptances plus applicable margins; and
- D. On November 23, 2004, PNG provided the Commission a copy of the Term Sheet dated November 1, 2004 among BMO, PNG and PNG(N.E.). The proposed Credit Facility and Risk Management Facility with BMO, the Guarantee and security therefore were approved by PNG's Board of Directors at a meeting on November 4, 2004; and

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- E. The effective interest rate for the Credit Facility will be the BMO prime rate and/or Bankers Acceptances plus applicable margins; and
- F. The Commission issued Order No. G-108-04 approving PNG's November 23, 2004 Application; and
- G. PNG's outside legal counsel advised PNG on January 3, 2005 that Order No. G-108-04 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
- H. On January 13, 2005, PNG 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 orders as follows:

1. PNG's Application for a new credit facility of \$20,000,000 and risk management facility as requested in the Application with BMO, the provision of a guarantee to BMO in respect of the obligations of PNG(N.E.) for the credit facility, and the provision of security for the credit facility, risk management facility and guarantee is approved, pursuant to Sections 50 and 52 of the Act.
2. PNG is directed to inform the Commission immediately of any significant departure in the terms and conditions of the indebtedness as presented in the Term Sheet and other documents supporting this Application.
3. For 2004, PNG will record all net benefits or costs from the new credit facility in the existing interest expense deferral account.

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