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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-49-06

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

and

**An Application by Terasen Gas Inc.
for Approval for the incurrence of indebtedness under
the Term Credit Agreement**

BEFORE: L.A. Boychuk, Commissioner April 27, 2006

O R D E R

WHEREAS:

- A. On April 13, 2006 Terasen Gas Inc. ("Terasen Gas") applied to the Commission pursuant to Section 50(2) of the Utilities Commission Act ("the Act") for approval of the incurrence of indebtedness by Terasen Gas under a credit agreement ("the Application"); and
- B. The credit agreement is between Terasen Gas, the Canadian Imperial Bank of Commerce ("CIBC") and other lenders, and CIBC as an administrative agent for the lenders, providing for an unsecured revolving credit facility for a principal amount of up to \$500 million with an initial term not to exceed five years ("Term Credit Agreement"); and
- C. Currently, Terasen Gas has in place five separate credit facilities with five different banks for a total amount of short-term revolving operating credit of \$500 million. Each of the credit facilities has a term of 364-days and Terasen Gas can request to have term extended annually for 364-days, but the extension solely at the discretion of the lender; and
- D. The \$500 million in short-term revolving operating credit is required to finance Terasen Gas's ongoing working capital requirements in addition to funding capital expenditures on a short-term basis; and
- E. The primary short-term funding vehicle utilized by Terasen Gas is commercial paper and the credit facilities' primary function is to backstop commercial paper; and
- F. In its December 19, 2005 rating report, Moody's Investor Service raised concern over Terasen Gas's reliance on 364-day bilateral credit facilities; and

- G Under the Term Credit Agreement, the interest rate margins on the standby and utilization fees are based on a pricing grid tied to the credit rating applicable to Terasen Gas'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
- H. Commission Order No. G-116-05 approved the Kinder Morgan, Inc. acquisition of the common shares of Terasen Inc. and established a set of ring-fencing conditions to ensure that Terasen Gas continues to operate as a stand-alone entity for its borrowing requirements; and
- I. The Commission has reviewed the Application, supporting material and finds that given the nominal difference in cost and the improvement in the terms of the credit facility approval of the Application is warranted and in the public interest.

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

1. The Commission approves for Terasen Gas the incurrence of indebtedness of up to \$500 million from time to time under the Term Credit Agreement with CIBC, subject to the credit agreement being substantially similar to the terms set forth in the confidential term sheet, and pricing no more than 25 basis points wider than the relevant margins and standby fees in Appendix 1 of the Application
2. Terasen Gas shall file with the Commission within one week of issue, the pricing grid for the Term Credit Agreement with CIBC.
3. Terasen Gas shall file with the Commission a report for each year detailing the actual annual activity and year-end balances for the Term Credit Agreement with CIBC.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of April 2006.

BY ORDER

Original signed by:

L.A. Boychuk
Commissioner