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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-82-07

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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 of the Issuance of Debt Securities
and Granting of Security for Certain Financial Obligations**

BEFORE: L.F. Kelsey, Commissioner July 12, 2007

O R D E R

WHEREAS:

- A. On July 4, 2007, Pacific Northern Gas Ltd. ("PNG") applied for Commission approval (the "Application") under Sections 50 and 52 of the Utilities Commission Act (the "Act"):
- i) to issue a \$15,000,000 secured debenture to Roynat Inc. (the "New Roynat Debenture") to finance the redemption of two existing secured debentures with Roynat Inc. ("Roynat");
 - ii) to enter into a committed five year term revolving credit facility with Roynat and Canadian Western Bank ("CWB") in the principal amount of \$20,000,000 (the "Revolving Credit Facility") and to secure the Revolving Credit Facility by the issuance of a \$20,000,000 joint secured debenture to Roynat and CWB (the "Revolving Credit Debenture");
 - iii) to issue a \$20,000,000 secured debenture to one of three financial institutions offering a hedge line to PNG with a maximum mark to market exposure of \$15,000,000 to secure such hedge line (the "Hedge Line Debenture"); and
- B. The Application also provides the Commission with the details of amendments being made to the \$20,000,000 operating line and \$15,000,000 treasury/commodity hedge line with the Bank of Montreal ("BMO") as required by Section 2 of Commission Order No. G- 10-05; and
- C. Copies of the Offer of Finance from Roynat setting forth the terms of the loan to be secured by the New Roynat Debenture as well as the term sheet from CWB and Roynat, as joint providers of the proposed Revolving Credit Facility to be secured by the Revolving Credit Debenture, were filed with the Commission as part of the Application; and
- D. PNG proposed in the Application to transfer the unamortized balance of debt issue expenses under the two existing Roynat loans to the debt issuance expenses incurred in respect of the New Roynat Debenture; and

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- E. The Application sets forth a proposal by PNG to record interest rate differentials between actual and forecast interest rates in the new long term interest deferral account approved by the Commission under Order No. G-55-07 with the modifications proposed by PNG in the Application to reflect the changes to the debt arrangements described in the Application compared to those set forth under PNG's 2007 Revenue Requirements Application; and
- F. The Commission has reviewed the Application and supporting material and finds that approvals of the Revolving Credit Facility, the issuance of the Revolving Credit Debenture, the issuance of the New Roynat Debenture and the issuance of the Hedge Line Debenture are in the public interest.

NOW THEREFORE pursuant to Sections 50 and 52 of the Act, the Commission orders as follows:

1. The Commission approves PNG entering into the \$20,000,000 Revolving Credit Facility with Roynat and CWB substantially on the terms and conditions set forth in the Roynat/CWB joint term sheet and incurring indebtedness there under from time to time, and the securing of the Revolving Credit Facility by the issuance of the Revolving Credit Debenture.
2. The Commission approves the issuance of the \$15,000,000 New Roynat Debenture by PNG substantially on the terms and conditions set forth in the Roynat Offer of Finance.
3. The Commission approves a \$15,000,000 hedge line between PNG and one of the three financial institutions named in the Application and the issuance of the \$20,000,000 Hedge Line Debenture to secure such hedge line.
4. PNG is directed to inform the Commission immediately of any significant departure in the terms and conditions set forth in the Roynat Offer of Finance or the Roynat/CWB joint term sheet for the Revolving Credit Facility.
5. The Commission approves PNG's proposals set forth in the Application with respect to including the unamortized debt issue expenses of the two existing Roynat loans with the new debt issue expenses and the recording of the difference between actual and forecast interest rates in the new long term debt interest deferral account.
6. The Commission will keep confidential the financing terms set forth in the Application due to the commercial sensitivity of the terms.

DATED at the City of Vancouver, in the Province of British Columbia, this 13th day of July 2007.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner