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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-170-07

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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 (Vancouver Island) Inc.
Approval to Issue Debentures**

BEFORE: L.F. Kelsey, Commissioner
P.E. Vivian, Commissioner December 20, 2007

O R D E R

WHEREAS:

- A. On December 10, 2007 Terasen Gas (Vancouver Island) Inc. ("TGVI") applied to the Commission, pursuant to section 50(2) of the Utilities Commission Act ("the Act"), for approval to issue unsecured debentures in an aggregate principal amount not to exceed \$250 million, either in one series or more than one series with different maturity dates, with each series having a term to maturity not exceeding 30 years (plus additional days if necessary to provide for the maturity date to be a business day) ("the Application"); and
- B. On December 13, 2007 TGVI filed confidential supplemental information; and
- C. The Application includes Appendix 1 that contains the indicative credit spreads and Schedule A that contains the confidential draft debenture term sheet; and
- D. The terms and conditions of the debentures will be substantially as set forth in the term sheet submitted with the Application; and
- E. Each series of debentures will have an interest rate that reflects a yield to maturity based on the yield on one or more Government of Canada bonds as at the time of pricing, plus a credit spread not to exceed 25 basis points more than the applicable indicative credit spread set out in Appendix 1 to the Application; and
- F. The investment dealer fees and transaction costs are expected to be substantially as indicated in Appendix 1; and
- G. Pursuant to Commission Order No. G-136-05 dated December 15, 2005, TGVI entered into a senior credit agreement providing for an unsecured revolving five year term credit facility in the principal amount of \$350 million ("the Senior Credit Agreement"). The Senior Credit Agreement has a maturity date of January 13, 2011, requiring that all outstanding borrowings under the Senior Credit Agreement be repaid by that date; and

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- H. The proceeds from the issue of the debentures will be used to reduce TGVI's floating rate debt, which will create capacity under the existing Senior Credit Agreement that will then be utilized to fund TGVI's annual capital expenditures; and
- I. The Commission has reviewed the Application and finds that 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 the Application by TGVI to issue unsecured debentures in an aggregate principal amount not to exceed \$250 million, either in one series or more than one series with different maturity dates, with each series having a term to maturity not exceeding 30 years (plus additional days if necessary to provide for the maturity date to be a business day), provided that:
 - (a) each series of debentures will have an interest rate that reflects a yield to maturity based on the yield on one or more Government of Canada bonds as at the time of pricing, plus a credit spread not to exceed 25 basis points more than the applicable indicative credit spread set out in Appendix 1 to the Application; and
 - (b) the terms and conditions of the debentures will be substantially as set forth in the term sheet submitted with the Application.
2. TGVI shall file with the Commission within one week of the debenture issue, the final debenture term sheet, final pricing grid, issued series maturity, actual pricing, and the rating reports from the credit agencies.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of December 2007.

BY ORDER

Original signed by

L.F. Kelsey,
Commissioner