

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-60-09

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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 (Whistler) Inc.
for Approval of Long-Term Financing

BEFORE: L.F. Kelsey, Commissioner
P.E. Vivian, Commissioner

May 28, 2009

O R D E R

WHEREAS:

- A. On May 20, 2009 Terasen Gas (Whistler) Inc. ("Terasen Whistler") applied to the British Columbia Utilities Commission ("Commission") pursuant to section 50 of the *Utilities Commission Act* ("the Act") for approval of a methodology to establish a fixed interest rate on an existing \$8 million term loan and on a future floating rate debt of \$12 million, relating to the Whistler pipeline project and associated costs, with its parent company, Terasen Inc., for a term of five years ("the Application"); and
- B. Pursuant to Order G-50-04 Terasen Whistler currently has a 4.90 percent fixed rate intercompany loan of \$8 million with Terasen Inc., which expires on May 31, 2009 based on a five-year swap rate of 4.05 percent plus a credit spread of 85 basis points; and
- C. Prior to the end of June 2009 Terasen Whistler will incur approximately \$14 million of debt relating to the capital contributions required for the Whistler pipeline project and associated conversion costs, of which \$12 million will be at a fixed interest rate; and
- D. In its 2009 Revenue Requirement, Return on Equity and Capital Structure Application, Terasen Whistler proposed a 60 percent debt and 40 percent equity component of capital structure which the Commission approved in Order G-35-09. Fixing the interest rate on \$20 million of floating debt is consistent with that Order; and
- E. The fixed interest rate methodology is to comprise of a five-year swap rate plus a credit spread for a period not to exceed five years and is consistent with the pricing methodology currently in place for the \$8 million intercompany loan under Order G-50-04; and
- F. Funding the loan through Terasen Inc., based on Terasen Inc.'s five-year swap rate plus a credit spread based on Terasen Inc.'s credit rating, will provide Terasen Whistler with market-based fixed interest rates while avoiding any transactions cost that would otherwise be incurred if it were to attempt to fund on a stand-alone basis. The credit spread in the current market conditions is significantly higher than the 85 basis points required in the previous five-year swap; and

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- G. Pursuant to Order G-24-93 the Commission directed Terasen Whistler to establish a deferral account in which to reconcile the difference between the actual cost of short-term debt and the cost of deemed long-term debt forecasted in its 1993/1994 Revenue Requirements Application ("RRA"). In Orders G-172-06 and G-146-07 and most recently in G-35-09 the Commission approved the continuity of recording the variances of actual interest costs versus the interest cost embedded in rates from Terasen Whistler's last RRA; and
- H. In order to protect market sensitive information Terasen Whistler requests that the Commission keep in confidence details of Terasen Inc.'s Credit Facilities provided in Schedule A of the Application; 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 of the Act, the Commission orders as follows:

- 1. The Commission approves Terasen Whistler establishing a fixed interest rate on the renewal of the existing \$8 million term loan and on a future floating rate debt of \$12 million with its parent company Terasen Inc. for a term of five years.
- 2. The Commission approves the Terasen Whistler use of a fixed interest rate methodology at the average of the five-year swap rate as quoted by CIBC World Markets and RBC Capital Markets, as at May 31, 2009 for the existing \$8 million debt and as at the date of funding in respect of the future \$12 million debt, plus a credit spread based on Terasen Inc.'s credit rating.
- 3. The Commission will keep the information provided in Schedule A of the Application confidential.
- 4. The Commission requires Terasen Whistler to file the actual fixed rates on the \$8 million and \$12 million debt with the Commission within one week of setting the rates.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of May 2009.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner