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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-14-10

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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 of the Issuance of Common Shares by Terasen Gas Inc.  
and for Implementation of Capital Structure Changes**

**BEFORE:** A.J. Pullman, Commissioner/Panel Chair  
D.A. Cote, Commissioner January 21, 2010  
M.R. Harle, Commissioner

**ORDER**

**WHEREAS:**

- A. The British Columbia Utilities Commission (the "Commission") by Order G-158-09 and accompanying Decision dated December 16, 2009 ("the Decision") with respect to the allowed return on equity for the Terasen Utilities [comprising Terasen Gas Inc. ("TGI"), Terasen Gas (Vancouver Island) Inc. ("TGV") and Terasen Gas (Whistler) Inc. ("TGW")], ordered that the appropriate equity thickness ratio for TGI should be increased to 40 percent from 35.01 percent effective January 1, 2010; and
- B. Paragraph 2 of Order G-158-09 ordered TGI to file within 30 days of the Decision a document setting out how and when it will implement the change to its capital structure in compliance with the ring-fencing conditions approved by the Commission in Order G-49-07; and
- C. In its Reasons for Decision accompanying Order G-49-07 dated April 30, 2007, the Commission approved the application by Fortis Inc. for the acquisition of the issued and outstanding shares of Terasen Inc., including the conditions relating to ring-fencing, governance and location of functions and data as set out in Commission Decision and Order G-116-05, revised by Commission Order G-75-06 and clarified by Commission Letter L-30-06 related to the previous application by Kinder Morgan, Inc. to acquire Terasen Inc. as conditions to the approval of the Fortis Inc. application; and
- D. By letter dated January 14, 2010, TGI filed with the Commission a document to comply with the Decision and the ring-fencing directives as identified in Recital C (the "Application"); and
- E. The Application explains how TGI would implement the change to its capital structure; and

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- F. TGI calculates that the 2010 forecast mid-year rate base of \$2,534.5 million, multiplied by the approved common equity percentage of 40 percent, results in a required common equity amount of \$1,013.8 million for 2010, which is approximately \$126.5 million greater than the amount required based on the previously approved equity component of 35.01 percent. To offset this approved increase in the common equity component, TGI has removed its planned 2010 issue of \$100 million in long-term debt and also reduced its short-term debt component; and
- G. After removing the planned debt issue but before any equity injection, TGI has determined that its average common equity adjusted for non-regulated items for the year ended December 31, 2010 is projected to be approximately \$890 million. To increase this percentage to 40 percent, TGI will require an equity injection of approximately \$125 million; and
- H. In the Application TGI requests approval to issue, upon receipt of payment therefore, 3,419,050 common shares in the amount of \$125 million. The common shares issued are each valued at approximately \$36.56 per share; and
- I. Additionally, TGI requests confirmation from the Commission that the intended actions laid out in the Application with respect to the implementation of the approved capital structure changes approved by Commission Order G-158-09 meet the ring-fencing conditions as set out in the Fortis Inc. Acquisition Order G-49-07 and the KMI Acquisition Order G-116-05, revised by Order G-75-06 and clarified by Letter L-30-06; and
- J. The Commission has reviewed the Application and is satisfied that approval in principle of the TGI share issue is warranted and in the public interest.

**NOW THEREFORE** the Commission orders as follows:

1. Pursuant to section 50(2) of the *Utilities Commission Act*, the Application by TGI to issue 3,419,050 common shares for a total of \$125 million is approved in principle, subject to TGI filing the final share documents.
2. The Commission confirms that the intended actions laid out in the Application by TGI with respect to the implementation of the approved capital structure changes meet the conditions as set out in the ring-fencing conditions as set out in the Fortis Inc. Acquisition Order G-49-07 and the KMI Acquisition Order G-116-05, revised by Order G-75-06 and clarified by Letter L-30-06.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 21<sup>st</sup> day of January, 2010.

BY ORDER

*Original signed by:*

A.J. Pullman  
Commissioner/Panel Chair