

AN ORDER IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

An Application by B.C. Gas on its Corporate Reorganization

BEFORE: M.K. Jaccard, Chairperson;)
F.C. Leighton, Commissioner; and) June 18, 1993
E.C. Sleath, Commissioner)

WHEREAS:

A. On March 29, 1993, BC Gas Inc. ("BC Gas ") applied for:

- (i) an Order under Section 61 of the Utilities Commission Act to permit a holding company ("Holdco") to acquire 100 percent of the shares of BC Gas Utility Ltd., ("BCGUL"); and
- (ii) an Order permitting the Company to transfer its ownership in Trans Mountain Pipe Line Company Ltd. to Holdco as required by Commission Order No. G-78-82; and

B. By letter dated May 20, 1993 BC Gas informed the Commission that the target date of July 1, 1993 was to be the effective date for the new corporate structure; and

C. Commission Order No. G-38-93 dated May 25, 1993 set down BC Gas' Application for public hearing, in conjunction with the Rate Design Phase B hearing, to commence on June 11, 1993 in Vancouver, B.C.; and

D. The public hearing into the BC Gas reorganization was heard on June 11, 1993 and concluded with final argument on June 15, 1993; and

E. The Commission has considered the Application and evidence adduced thereon and concluded that approval of the reorganization of BC Gas is in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The Application by BC Gas as outlined in recital A. above, is hereby approved subject to the following directions and conditions.
2. BC Gas must first obtain all other necessary approvals as listed in its Application.

3. BCGUL as a result of reorganization will maintain no less common and preferred equity than that determined from time to time by the Commission for rate making purposes, and Holdco's capital structure will contain no less equity than is contained in BCGUL.
4. BCGUL's debt and equity will not be used or allocated in any way to guarantee or support, directly or indirectly, any financing or undertakings in Non-Regulated Businesses ("NRB's").

5. BCGUL will develop separation to the extent practicable from Holdco and its other subsidiaries in assets, operations, office locations, employees and directors. In particular, participation of independent directors on the boards of mature NRB's is encouraged and participation of utility executives on the boards of NRB's is to be avoided where there is a potential for perceived conflict of interest. Mature NRB's are not to be located in the utility premises.
6. Intercompany charges will continue to be allocated based on the Stone and Webster Report dated December, 1991. Chargeout rates should be updated to reflect annual cost escalations and fully compensate the utility for its actual costs plus overhead.
7. Compensation between BCGUL and Holdco as a result of this reorganization is not required.
8. BCGUL will be allocated the actual reorganization costs, which are limited to a maximum of \$650,000, at a 80/20 ratio as proposed by BC Gas. However, the shareholders are to absorb 33 percent of the utility allocated cost as a reflection of their equity in the utility. The remaining allocated cost (after 1/6 amortization in 1993) is approved for recovery subject to future Commission disposition. BC Gas is to file details of the actual reorganization costs before August 1, 1993.
9. BC Gas shall pay the costs of the Commission incidental to the reorganization hearing.

DATED at the City of Vancouver, in the Province of British Columbia, this day of June, 1993.

BY ORDER

Dr. Mark K. Jaccard
Chairperson