



ORDER NUMBER
G-59-20

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

AltaGas Canada Inc. and PSPIB Cycle Investments Inc.
Application to Acquire a Reviewable Interest in Each of
Pacific Northern Gas Ltd. And Pacific Northern Gas (N.E.) Ltd.

BEFORE:

W. M. Everett, QC, Panel Chair
C. Brewer, Commissioner
M. Kresivo, QC, Commissioner

on March 24, 2020

ORDER

WHEREAS:

- A. On November 19, 2019, the British Columbia Utilities Commission (BCUC) received a joint application from AltaGas Canada Inc. (ACI) and PSPIB Cycle Investments Inc. (PSPIB), pursuant to section 54 of the *Utilities Commission Act* (UCA), for PSPIB to acquire a reviewable interest in each of Pacific Northern Gas Ltd. (PNG) and PNG's wholly owned subsidiary Pacific Northern Gas (N.E.) Ltd (PNG(N.E.)) through the acquisition of all of the issued and outstanding common shares of ACI (altogether, the Application);
- B. PNG is a direct wholly owned subsidiary of ACI.
- C. PNG provides natural gas distribution service to 12 communities in northwestern British Columbia. PNG(N.E.) provides natural gas distribution service to communities in northeastern British Columbia.
- D. PNG and PNG(N.E.) (collectively, the Utilities) are public utilities regulated by the BCUC under the UCA;
- E. PSPIB seeks BCUC approval to acquire all the common shares of ACI, which, if approved, will result in PSPIB acquiring a reviewable interest in the Utilities;
- F. By Order G-344-19 dated December 19, 2019, the BCUC established a regulatory timetable for the review of the Application;
- G. On December 24, 2019, PNG filed a letter with the BCUC stating, due to publication date cut-offs, it was unable to publish the Notice of Application by January 6, 2020 and requested an extension to the Regulatory Timetable set out in Order G-344-19. On December 31, 2019, the BCUC issued Order G-345-19 amending the Regulatory Timetable;

- H. On January 10, 2020, the Utilities, on behalf of ACI and PSPIB, informed the BCUC that the Public Notice was published in the appropriate news publications in the Utilities' service areas in accordance with the Regulatory Timetable established by Order G-345-19;
- I. On February 3, 2020, British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO) filed their request to intervene;
- J. On February 3, 2020, the BCUC issued BCUC Information Request (IR) No. 1 to ACI and PSPIB and on February 7, 2020, BCOAPO submitted their IR No. 1 to ACI and PSPIB. ACI and PSPIB submitted their responses to both the BCUC and BCOAPO IRs No. 1 on February 21, 2020;
- K. By Order G-38-20 dated March 3, 2020, the BCUC further amended the Regulatory Timetable to establish further process, including the filing of intervener and applicant final and reply arguments, respectively;
- L. On March 9, 2020, ACI and PSPIB filed their Final Argument. BCOAPO filed their Final Argument on March 16, 2020. ACI and PSPIB filed their Reply Argument on March 17, 2020;
- M. In their Intervener Final Argument, the BCOAPO did not object to the Application, concluding that all of their concerns had been fully addressed and nothing on record indicates that the acquisition will be detrimental to PNG or its residential ratepayers; and
- N. The BCUC has reviewed the Application, evidence and arguments in the proceeding and considers that the Utilities, and the Utilities' customers, will not be detrimentally affected by approval of the Application subject to the conditions set out in the order below.

NOW THEREFORE pursuant to section 54 of the UCA, the BCUC orders as follows:

1. The acquisition by PSPIB of all the issued and outstanding common shares of ACI, resulting in PSPIB acquiring a reviewable interest in each of PNG and PNG(N.E), is approved, subject to all of the conditions agreed to in the proceeding including, but not limited to, the following conditions:
 - i. The Utilities must maintain, on a basis consistent with BCUC orders and accounting practices, a percentage of common equity to total capital that is at least as much as that determined by the BCUC from time to time for ratemaking purposes.
 - ii. The Utilities must not pay a common dividend without prior BCUC approval if the result would reasonably be expected to violate the restriction in (i) above.
 - iii. The Utilities must not lend to, guarantee or financially support any current or future related entities and/or affiliates, other than as approved and accepted by the BCUC.
 - iv. The Utilities must independently maintain separate banking, lending, financing and cash management arrangements.
 - v. The Utilities must not enter into transactions with affiliates and/or related entities on terms less favourable than those available from third parties on an arms-length basis, unless otherwise approved and accepted by the BCUC.
 - vi. The Utilities must not engage in, provide financial support to or guarantee any non-regulated business unless otherwise approved and accepted by the BCUC.

- vii. The Utilities must not transfer any assets or receive and record any assets from affiliates and/or related entities unless otherwise approved and accepted by the BCUC.
 - viii. The Utilities must not enter into any inter-corporate loans and/or tax sharing arrangements with affiliates and/or related entities, unless otherwise approved and accepted by the BCUC.
 - ix. The Utilities must maintain existing governance policies and any changes in these policies must be approved and accepted by the BCUC.
 - x. The Utilities must maintain adequate safeguards around future petitions for bankruptcy protection.
 - xi. The books and records of the Utilities must remain in British Columbia unless otherwise approved by the BCUC.
 - xii. The Utilities must not violate existing covenants that will be detrimental to its customers.
 - xiii. The conduct of the Utilities' business, including the level of service, either now or in the future, must be maintained or enhanced.
 - xiv. The Utilities must not effect any significant and key changes to its operations for the next five years, and any future changes must be subject to BCUC approval.
 - xv. The Utilities must not undertake any planned reorganizations within the next two years.
 - xvi. The Utilities must continue to operate as stand-alone entities and must continue to follow all current processes and procedures to maintain the structural integrity of their respective assets.
 - xvii. The structural integrity of the Utilities' assets must be maintained in such a manner as to not impair utility service.
 - xviii. The Utilities must not seek to recover any acquisition premiums from its respective customers, or any fees or costs incurred associated from the acquisition of reviewable interests in PNG or PNG(N.E).
 - xix. The Utilities must ensure the acquisition of reviewable interests in each of PNG and PNG(N.E.) does not impact the equity risk premiums embedded in the approved return on equity of the Utilities.
2. The Utilities are directed to file with the BCUC a report on its Identified Service Quality Metrics on an annual basis until 2023.
 3. ACI and PSPIB must file with the BCUC the final, signed and executed Arrangement Agreement no later than Friday, April 24, 2020.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of March 2020.

BY ORDER

Original Signed By:

W. M. Everett, QC
Commissioner