



**ORDER NUMBER
G-68-23**

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

and

Pacific Northern Gas Ltd.
Application for Approval of the Issuance of Debt Securities, Issuance of Additional Equity, and
Approval of Amendment to Existing Financial Obligation

BEFORE:
E.B. Lockhart, Commissioner

on March 28, 2023

ORDER

WHEREAS:

- A. On February 21, 2023, Pacific Northern Gas Ltd. (PNG) applied for British Columbia Utilities Commission (BCUC) approval under sections 50 and 52 of the *Utilities Commission Act* (UCA):
- i. To enter into three new fixed rate unsecured debentures (Term Debentures) with its parent company, TriSummit Utilities Ltd. (TSU) as follows:
 - a) A committed seven-year fixed rate unsecured debenture in the amount of \$50 million;
 - b) A committed ten-year fixed rate unsecured debenture in the amount of \$50 million; and
 - c) A committed thirty-year fixed rate unsecured debenture in the amount of \$50 million.
 - ii. To amend and reduce the total amount available on the existing \$150 million four-year term revolving facility with TSU approved by Order G-175-21 (TSU Revolving Term Facility), to \$100 million; and
 - iii. To issue additional common shares to TSU, not exceeding \$37 million, from time to time on a semi-annual basis, from the date of approval of the Application until the conclusion of the term of the TSU Revolving Term Facility on July 28, 2025 (collectively, Application);
- B. In addition, PNG requests approval to transfer the unamortized balance of its debt issue expenses under the existing \$25 million revolving variable rate five-year term facility with the Bank of Montreal (BMO) (BMO Term Facility) and \$30 million revolving variable rate five-year term facility with TSU, to a short-term interest deferral account for amortization through May 4, 2023;

- C. PNG proposes to lend and allocate funds to its wholly owned subsidiary, Pacific Northern Gas (N.E.) Ltd. [PNG(NE)], under the Term Debentures and TSU Revolving Term Facility, respectively, as described in the Application, to be approved under a separate BCUC order;
- D. PNG submits that the net proceeds from the Term Debentures (net of the amounts allocated to PNG(NE)) will be used to retire the BMO Term Facility and the revolving variable rate five-year term facility with TSU which otherwise mature on May 4, 2023, and to reduce the outstanding balance drawn on the TSU Revolving Term Facility;
- E. PNG states that the requirement to issue common equity is to ensure that its equity thickness remains aligned with the BCUC-approved capital structure;
- F. PNG submits that the replacement of maturing variable rate facilities with fixed rate long-term debt will provide future stability and certainty of interest costs, and that the incremental increase in approved debt capacity resulting from the Term Debentures will ensure sufficient liquidity to replace its upcoming maturities and debt amortization payments, and will support its capital spending and working capital requirements;
- G. As part of the Application, PNG filed the term sheet relating to the Term Debentures;
- H. PNG requests that the details of the financing terms set forth in the Application be kept confidential by the BCUC on the basis that they are commercially sensitive;
- I. On March 15, 2023 and March 27, 2023, the BCUC issued staff questions (BCUC Staff Questions) to PNG;
- J. On March 21, 2023 and March 27, 2023, PNG filed responses to the BCUC Staff Questions on the Application; and
- K. The BCUC has reviewed the Application and PNG's responses to the BCUC Staff Questions and considers that approval is warranted.

NOW THEREFORE pursuant to sections 50, 52 and 59 to 61 of the UCA, the BCUC orders as follows:

- 1. PNG is approved to enter into the Term Debentures with TSU on the terms and conditions set forth in the Application.
- 2. PNG is approved to reduce the total amount available on the TSU Revolving Term Facility from \$150 million to \$100 million on the terms and conditions set forth in the Application.
- 3. PNG is approved to issue, on a semi-annual basis, additional common shares to TSU, not exceeding \$37 million, from time to time, effective from the date of this order, until the conclusion of the term of the TSU Revolving Term Facility on July 28, 2025.
- 4. PNG is directed to immediately inform the BCUC of any significant departure in the terms and conditions set forth in the Application for the Term Debentures or TSU Revolving Term Facility.
- 5. PNG is approved to establish a short-term interest deferral account to record the unamortized debt issue costs of the existing BMO Term Facility and the revolving variable rate five-year term facility with TSU, and to amortize that account through May 4, 2023.

6. PNG's request to keep the financing terms set forth in the Application confidential due to their commercially sensitive nature is accepted.
7. PNG is directed to file the final debt financing agreement for the Term Debentures with TSU within 15 days of the execution of the agreement.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of March 2023.

BY ORDER

Original signed by:

E.B. Lockhart
Commissioner