



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER.....G-74-91.....

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

and

IN THE MATTER OF an Application by
BC Gas Inc.

BEFORE: J.G. McIntyre,)
Chairman;)
J.D.V. Newlands,) July 24, 1991
Deputy Chairman; and)
W.M. Swanson, Q.C.,)
Commissioner)

O R D E R

WHEREAS:

- A. On September 30, 1988 B.C. Gas Inc. ("Gasco") issued to British Columbia Hydro and Power Authority ("B.C. Hydro") a \$300,000,000 debenture (the "Original Hydro Debenture") with an interest rate of 10.75 percent per annum payable semi-annually, and repayable in four equal annual payments of \$75,000,000 each commencing September 30, 1990 which Original Hydro Debenture created a first fixed mortgage and charge on the assets as set forth therein; and
- B. The issue of the Original Hydro Debenture was approved by the Lieutenant Governor in Council on September 28, 1988 under Order in Council No. 1826; and
- C. On July 1, 1989 Inland Natural Gas Co. Ltd., Gasco and others amalgamated to form BC Gas Inc. ("BC Gas"); and
- D. As of September 28, 1990 BC Gas and B.C. Hydro amended the Original Hydro Debenture by subdividing the Original Hydro Debenture into a Series A Debenture in the principal amount of \$75,000,000 maturing September 30, 1990 (the "Series A Debenture") and a second debenture in the principal amount of \$225,000,000 maturing in equal amounts of \$75,000,000 on each of September 30, 1991, 1992 and 1993 (the "Remaining Hydro Debenture"); and
- E. On September 30, 1990 Inland Energy Corp. ("Inland Energy") purchased the Series A Debenture from B.C. Hydro and subsequently amended the Series A Debenture; and
- F. As of July 25, 1991 BC Gas and B.C. Hydro intend to amend the Remaining Hydro Debenture by amending and subdividing the Remaining Hydro Debenture into the Series B Debenture in the principal amount of \$75,000,000, maturing September 30, 1991 (the "Series B Debenture"); the Series C Debenture in the principal amount of \$75,000,000 maturing September 30, 1992 (the "Series C Debenture"); and the Series D Debenture in the principal amount of \$75,000,000 maturing September 30, 1993 (the "Series D Debenture"); and
- G. As of July 25, 1991 Inland Energy intends to purchase the Series B Debenture, the Series C Debenture and the Series D Debenture (together the "Debentures") from B.C. Hydro; and

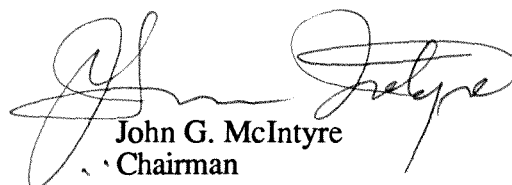
- H. As of July 25, 1991 Inland Energy and BC Gas intend to amend the terms of the Debentures to extend the maturity date of the Series B Debenture to September 30, 2036, to extend the maturity date of the Series C Debenture to September 30, 2037, to extend the maturity date of the Series D Debenture to September 30, 2038 and to amend the interest rate on each of the Debentures from 10.75 percent to an interest rate based on the cost of funds incurred by BC Gas, all pursuant to an amendment to the Debentures to be dated as of July 25, 1991 (the "Amendment to the Debentures"); and
- I. The Commission has considered the Application and is satisfied that it is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

Subject to the sale of the Debentures from B.C. Hydro to Inland Energy being completed and subject to BC Gas obtaining the approval of the Commission to the establishment of the interest rate on any one of the Debentures on Subdivision Date - B, Subdivision Date - C or Subdivision Date - D, as provided in the Amendment to the Debentures, as the case may be, and pursuant to Section 57(3) of the Utilities Commission Act, the Commission hereby approves the amendment on July 25, 1991 to each of the Series B Debenture, the Series C Debentures and the Series D Debenture pursuant to the Amendment to the Debentures as set forth on Schedule A attached hereto.

DATED at the City of Vancouver, in the Province of British Columbia, this *27th* day of July, 1991.

BY ORDER


John G. McIntyre
Chairman

/lm
Attachment.

THIS AMENDMENT TO DEBENTURE dated for reference the 25th day of July, 1991.

BETWEEN:

BC GAS INC., a company duly amalgamated under the laws of the Province of British Columbia
(hereinafter called "BC Gas")

OF THE FIRST PART

AND:

INLAND ENERGY CORP., a company duly incorporated under the laws of the Province of British Columbia
(hereinafter called "Inland")

OF THE SECOND PART

WHEREAS:

A. On September 30, 1988 B.C. Gas Inc., a predecessor company to BC Gas, acquired all of the assets and undertakings of the Mainland Gas Division of BC Hydro pursuant to the terms of the Asset Transfer Agreement;

B. B.C. Gas Inc. granted to BC Hydro as consideration for the payment, in part, of the purchase price for the Mainland Gas Division, the Original Debenture granting to BC Hydro a fixed and specific charge on the assets forming the Mainland Gas Division as acquired pursuant to the Asset Transfer Agreement;

C. On July 1, 1989, B.C. Gas Inc. amalgamated with Inland Natural Gas Co. Ltd., Columbia Natural Gas Limited and Fort Nelson Gas Ltd. to form BC Gas;

D. On September 28, 1990 BC Gas and BC Hydro amended the Original Debenture and subdivided the Original Debenture into

two (2) series debentures being the Series A Debenture and the Remaining Debenture;

E. On July 25, 1991, BC Gas and BC Hydro amended the Remaining Debenture and subdivided the Remaining Debenture into three (3) series debentures being the Series B Debenture, the Series C Debenture and the Series D Debenture;

F. On July 25, 1991 Inland purchased the Series B Debenture, the Series C Debenture and the Series D Debenture from BC Hydro and is the holder thereof;

G. B.C. Gas wishes to extend and renew each of the Debentures to the dates as hereinafter set forth and Inland has agreed provided that certain amendments are made to each of the Debentures to change the rate of interest payable in respect thereof and to facilitate and permit Inland to effect a Distribution in respect of each of the Debenture.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the payment by BC Gas to Inland of \$10 and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by Inland) the parties hereto agree as follows:

1. (a) In this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Asset Transfer Agreement" means the agreement between B.C. Gas Inc. and BC Hydro providing for the purchase by B.C. Gas Inc. of the Mainland Gas Division, dated as of July 15, 1988 and amended September 30, 1988;

"BC Hydro" means British Columbia Hydro and Power Authority, a crown corporation

established pursuant to an act of the Province of British Columbia and continued under the Hydro and Power Authority Act, 1988;

"Cost of Funds" means the cost of borrowing, from time to time, actually incurred, directly or indirectly, by way of interest, discount or otherwise by BC Gas on borrowings of \$75,000,000 commencing on July 25, 1991 to the Subdivision Date - B, Subdivision Date - C, or Subdivision Date - D, as the case may be;

"Debentures" means the Series B Debenture, the Series C Debenture and the Series D Debenture;

"Distribution" means the secondary distribution by Inland of any of the Debentures in such multiples of \$1,000 as Inland may elect;

"Final Maturity Date - B" has the meaning set forth in paragraph 3(a) hereof;

"Final Maturity Date - C" has the meaning set forth in paragraph 3(b) hereof;

"Final Maturity Date - D" has the meaning set forth in paragraph 3(c) hereof;

"Mainland Gas Division" means the mainland gas division of BC Hydro as operated prior to July 15, 1988;

"Mortgaged Property" means all property of BC Gas acquired pursuant to the Asset Transfer Agreement and charged pursuant to the Debentures;

"Original Debenture" means the debenture in the principal amount of \$300,000,000 of B.C. Gas Inc. to BC Hydro dated September 30, 1988 charging the Mortgaged Property;

"Province" means Her Majesty the Queen in Right of the Province of British Columbia;

"Province's Debenture" means the debenture in the principal amount of \$150,000,000 of B.C. Gas Inc. to BC Hydro and the Province dated September 30, 1988 charging the Mortgaged Property;

"Remaining Debenture" means the debenture of BC Gas to BC Hydro in the principal amount of \$225,000,000, payable as to \$75,000,000 on each of September 30, 1991, 1992 and 1993 resulting from the amendment and subdivision of the Original Debenture on September 28, 1990;

"Series A Debenture" means the debenture of BC Gas to BC Hydro in the principal amount of \$75,000,000 resulting from the amendment and subdivision of the Original Debenture on September 28, 1990;

"Series B Debenture" means the debenture of BC Gas to BC Hydro in the principal amount of \$75,000,000 maturing September 30, 1991, resulting from the

amendment and subdivision of the Remaining Debenture on July 25, 1991;

"Series C Debenture" means the debenture of BC Gas to BC Hydro in the principal amount of \$75,000,000 maturing September 30, 1992, resulting from the amendment and subdivision of the Remaining Debenture on July 25, 1991;

"Series D Debenture means the debenture of BC Gas to BC Hydro in the principal amount of \$75,000,000 maturing September 30, 1993, resulting from the amendment and subdivision of the Remaining Debenture on July 25, 1991;

"Subdivision Date" means the date upon which a particular Debenture is amended and subdivided into debentures in such multiples of \$1,000 as Inland may elect for the purposes of completing, closing and giving effect to a Distribution; "Subdivision Date - B" means the date upon which the Series B Debenture is so amended and subdivided; "Subdivision Date - C" means the date upon which the Series C Debenture is so amended and subdivided; and "Subdivision Date - D" means the date upon which the Series D Debenture is so amended and so subdivided;

"Subordination Agreement" means the agreement dated *, 1991 between Inland and the Province whereby the charge of the Series B Debenture, the Series C Debenture and the Series D Debenture is subordinated and postponed to the charge of the Province's Debenture;

"Trust Indenture" means the trust indenture dated as of the 3rd day of December, 1990 between BC Gas and the Trustee;

"Trustee" means National Trust Company;

"this Agreement" means this Agreement as it may from time to time be supplemented or amended and in effect;

- (b) The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section;
 - (c) Where the context so permits all references to:
 - (i) the singular include the plural;
 - (ii) the masculine include the feminine and neuter genders and where necessary, a body corporate and vice versa;
 - (d) The word "including" is not limiting and the word "or" is not exclusive;
 - (e) Expressions used herein that are defined in the Interpretation Act of British Columbia in effect on the date hereof have the meanings assigned to those expressions therein.
2. (a) The Series B Debenture is hereby amended as follows:
- (i) by deleting the words in the 7th line of paragraph 1.1 "the rate of 10.75%" and replacing

same with the words "the interest rate as hereinafter in paragraph 1.3 determined".

(ii) by adding the following as paragraph 1.3

"1.3 The interest rate payable hereunder shall be:

- (a) for the period from July 25, 1991 to and including the Subdivision Date - B the annual interest rate expressed as a percentage equal to the Cost of Funds, provided the annual interest rate shall not be more than 15% per annum;
- (b) for the period from the Subdivision Date - B to and including the Final Maturity Date - B the annual interest rate as agreed to by BC Gas and Inland as the interest rate which is required to be paid by BC Gas in respect of the Series B Debenture so as to permit the Series B Debenture to be transferred or sold, in such multiples of \$1,000 as Inland may elect, in connection with a Distribution, provided that such interest rate shall not be more than 15% per annum."

(b) The Series C Debenture is hereby amended as follows:

- (i) by deleting the words in the 7th line of paragraph 1.1 "the rate of 10.75%" and replacing same with the words "the interest rate as hereinafter in paragraph 1.3 determined".

(ii) by adding the following as paragraph 1.3

"1.3 The interest rate payable hereunder shall be:

(a) for the period from July 25, 1991 to and including the Subdivision Date - C the annual interest rate expressed as a percentage equal to the Cost of Funds, provided the annual interest rate shall not be more than 15% per annum;

(b) for the period from the Subdivision Date - C to and including the Final Maturity Date - C the annual interest rate as agreed to by BC Gas and Inland as the interest rate which is required to be paid by BC Gas in respect of the Series C Debenture so as to permit the Series C Debenture to be transferred or sold, in such multiples of \$1,000 as Inland may elect, in connection with a Distribution, provided that such interest rate shall not be more than 15% per annum."

(c) The Series D Debenture is hereby amended as follows:

(i) by deleting the words in the 7th line of paragraph 1.1 "the rate of 10.75%" and replacing same with the words "the interest rate as hereinafter in paragraph 1.3 determined".

(ii) by adding the following as paragraph 1.3

"1.3 The interest rate payable hereunder shall be:

- (a) for the period from July 25, 1991 to and including the Subdivision Date - D the annual interest rate expressed as a percentage equal to the Cost of Funds, provided the annual interest rate shall not be more than 15% per annum;
 - (b) for the period from the Subdivision Date - D to and including the Final Maturity Date - D the annual interest rate as agreed to by BC Gas and Inland as the interest rate which is required to be paid by BC Gas in respect of the Series D Debenture so as to permit the Series D Debenture to be transferred or sold, in such multiples of \$1,000 as Inland may elect, in connection with a Distribution, provided that such interest rate shall not be more than 15% per annum."
- (d) Each of the Debentures is hereby amended as follows:
- (i) by deleting the words in paragraph 2.3 "970 Burrard Street" and replacing same with words "23rd Floor, 1066 West Hastings Street".
 - (ii) by deleting the word "or" at the end of subparagraph (g) of paragraph 7.1, by deleting "." at the end of subparagraph (h) of paragraph 7.1 and replacing same with "; or" and by adding the following as subparagraph (i) of paragraph 7.1:

"(i) Other Debentures

if the Company makes default in the performance or observance of any of the covenants, conditions or agreements to be performed or observed by the Company under the provisions of any one of the debentures in the principal amount of \$75,000,000 and dated as of September 30, 1988, or any debentures which may result from any subdivision thereof including the trust indenture dated as of December 3, 1990 between the Company and National Trust Company relating to the purchase money mortgages;"

- (iii) by deleting subparagraph (b) of paragraph 16.2 and renumbering subparagraph (c) as "(b)";
- (iv) by deleting the address for notice to the Debenture holder in paragraph 12.1 (b) and replacing same with the following:

"23rd Floor
1066 West Hastings Street
Vancouver, B.C.
V6E 3G3

Attention: Chief Financial Officer;

- (v) by deleting the proviso at line six of subparagraph (a) of paragraph 16.2".

- 3. (a) The Series B Debenture as hereby amended is hereby extended and renewed on the following conditions that the maturity date of the Series B Debenture shall be September 30, 2036 (the "Final Maturity Date - B").

(b) The Series C Debenture as hereby amended is hereby extended and renewed on the following conditions that the maturity date of the Series C Debenture shall be September 30, 2037 (the "Final Maturity Date - C").

(c) The Series D Debenture as hereby amended is hereby extended and renewed on the following conditions that the maturity date of the Series D Debenture shall be September 30, 2038 (the "Final Maturity Date - D").

4. BC Gas and Inland acknowledge that it is the intention of Inland to amend and subdivide each of the Debentures and to sell portions of such Debenture, as amended and subdivided, in such multiples of \$1,000 as Inland may elect, pursuant to a Distribution and in regard thereto BC Gas and Inland agree as follows:

(a) BC Gas and Inland will enter into supplemental indentures to the Trust Indenture with the Trustee providing for the subdivision of each of the Debentures which supplemental trust indentures shall contain such terms as contemplated herein, and with such other amendments or changes (i) required to effect a Distribution (ii) as are usual in trust indentures for similar securities, and (iii) as may be agreed to by BC Gas and Inland;

(b) BC Gas shall cause to be prepared all offering documents as may be required to effect the Distribution;

(c) all fees, costs and expenses relating to such subdivision and Distribution of whatsoever kind shall be for the account of and be paid by BC Gas;

- (d) upon the execution and delivery of the supplemental trust indenture, the original copy of the Debenture, as subdivided, shall be returned by Inland to BC Gas for cancellation.

5. BC Gas and Inland acknowledge that Inland has entered into the Subordination Agreement and BC Gas and Inland shall act in such a manner and do all such things as may be necessary, advisable or required to conform to and be bound by the terms of the Subordination Agreement.

6. BC Gas and Inland agree to do all such things, and execute all such documents as may be necessary or advisable in connection with this Agreement or to give full effect to the intent thereof.

7. Any notice hereunder may be given in writing delivered by double registered mail or in person at the following addresses:

to Inland 23rd Floor
 1066 West Hastings Street
 Vancouver, B.C.
 V6E 3G3

to BC Gas 23rd Floor
 1066 West Hastings Street
 Vancouver, B.C.
 V6E 3G3

or such other address with respect to a party as such party shall notify the other in writing as above provided.

8.. This Agreement is binding upon and shall enure to the benefit of the parties hereto and their successors and assigns.

IN WITNESS WHEREOF this Agreement has been duly
executed as of the day and year first above written.

THE COMMON SEAL of
INLAND ENERGY CORP.
was hereunto affixed in
presence of:

C/S

THE COMMON SEAL of
BC GAS INC. was hereunto
affixed in the presence of:

C/S