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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-96-07

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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 for the incurrence of indebtedness under
the Term Credit Agreement**

BEFORE: L.F. Kelsey, Commissioner August 14, 2007
L.A. Zaozirny, Commissioner

O R D E R

WHEREAS:

- A. On July 19, 2007, Terasen Gas Inc. ("Terasen Gas") applied to the Commission pursuant to Section 50(2) of the Utilities Commission Act ("the Act") for approval of the incurrence of indebtedness by Terasen Gas under a credit agreement ("the Application"); and
- B. The credit agreement is between Terasen Gas, the Canadian Imperial Bank of Commerce ("CIBC") and other lenders, and CIBC as an administrative agent for the lenders, providing for an unsecured revolving term credit facility for a principal amount of up to \$500 million with an initial term not to exceed five years ("Term Credit Agreement"); and
- C. Currently, Terasen Gas has in place a three year syndicated credit facility entered into on June 21, 2006, for a total amount of short-term revolving operating credit of \$500 million; and
- D. The \$500 million in short-term revolving operating credit is required to finance Terasen Gas's ongoing working capital requirements as well as to fund capital expenditures on a short-term basis; and
- E. The primary short-term funding vehicle utilized by Terasen Gas is commercial paper and the credit facilities' primary function is to backstop commercial paper; and
- F. With Terasen Gas's significant ongoing short-term credit requirements, the availability of operating credit plays a key role in the stability of operations and is a consideration in the overall credit strength of the company; and
- G. Subsequent to the Fortis Inc. ("Fortis") acquisition of Terasen Gas on May 17, 2007, CIBC, on behalf of the current syndicated credit facility, approached Terasen Gas to replace the current three year agreement which has approximately two years remaining with a new five year agreement with improved pricing grid and enhanced terms and conditions; and

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- H. Under the Term Credit Agreement, the interest rate margins and standby fees are based on a pricing grid tied to the credit rating applicable to Terasen Gas's senior unsecured debt, and are adjusted with upward or downward changes in the credit rating. The proposed rates and fees reflect current market conditions and are contained in Appendix 1 (Terasen Gas Indicative Term Sheet) of the Application, and are further accounted for in Terasen Gas's August 13, 2007 response to the Commission's Information Request No. 1; and
- I. The Commission has reviewed the Application and supporting material and finds that given the savings and the improvement in the terms of the credit facility, approval of the Application is warranted and in the public interest.

NOW THEREFORE pursuant to Section 50(2) of the Act, the Commission orders as follows:

1. The Commission approves for Terasen Gas the incurrence of indebtedness of up to \$500 million from time to time under the Term Credit Agreement with CIBC, subject to the credit agreement being substantially similar to the terms set forth in the confidential Indicative Term Sheet, and pricing no more than 25 basis points wider than the relevant margins and standby fees in Appendix 1 of the Application.
2. Terasen Gas shall file with the Commission within one week of issue, the complete Term Sheet including the pricing grid for the Term Credit Agreement with CIBC.
3. Terasen Gas shall file with the Commission a report for each year detailing the actual annual activity and year-end balances for the Term Credit Agreement with CIBC.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of August 2007.

BY ORDER

Original signed by

L.F. Kelsey
Commissioner