



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-53-14**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

FortisBC Energy (Whistler) Inc.
Application for Approval of Fixed Interest Rates on Term Loans

BEFORE: L.F. Kelsey, Commissioner
C.A. Brown, Commissioner
H.G. Harowitz, Commissioner
N.E. MacMurchy, Commissioner April 10, 2014
I.F. MacPhail, Commissioner
B.A. Magnan, Commissioner
D.M. Morton, Commissioner
R.D. Revel, Commissioner
C. van Wermeskerken, Commissioner

O R D E R

WHEREAS:

- A. By Order G-60-09 dated May 28, 2009, the British Columbia Utilities Commission (Commission) approved for Terasen Gas (Whistler) Inc. the use of a fixed interest rate methodology for the \$8 million and \$12 million intercompany loans from its parent, Terasen Inc., for a term of five years until May 31, 2014;
- B. Pursuant to Order G-60-09, the current fixed interest rate on the intercompany loans is 5.11 percent, using a five-year swap rate of 2.48 percent, plus a credit spread based on Terasen Inc.'s credit facility pricing grid of 262.5 basis points;
- C. By Order G-21-14 dated February 26, 2014, the Commission approved the amalgamation of FortisBC Energy Inc. (FEI), FortisBC Energy (Vancouver Island) Inc. (FEVI), FortisBC Energy (Whistler) Inc. (FEW) and Terasen Gas Holdings Inc., subject to approval by the Lieutenant Governor in Council. FEW anticipates that amalgamation will take place on or about January 1, 2015;
- D. On April 4, 2014, FEW applied to Commission pursuant to section 50 of the *Utilities Commission Act* (Act) for approval to reset the fixed interest rate on the existing \$8 million and \$12 million intercompany loans from FortisBC Holdings Inc. on May 31, 2014 using the average of the May 31, 2014 one-year swap rate quotes from Canadian Imperial Bank of Commerce World Markets and Royal Bank of Canada Capital Markets plus a credit spread of 132.5 basis points based on FortisBC Holdings Inc.'s current credit facility pricing grid (Application). The Application also seeks approval to extend the maturity date of the intercompany loans for a period of one year until May 31, 2015;
- E. FEW submits that the fixed interest rate methodology proposed in the Application provides FEW with market based interest rates and will avoid transaction fees that would otherwise be incurred if FEW attempted to fund on a stand-alone basis;

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- F. Upon amalgamation, the amalgamated entity will finance the FEW debt within its borrowing program. FEW considers that extending the maturity date of the intercompany loans to May 31, 2015 provides a reasonable buffer period, should the amalgamation effective date be delayed beyond the anticipated effective date of January 1, 2015;
- G. FEW records interest expense variances in its existing Interest Variance deferral account;
- H. In order to protect market sensitive information, FEW requests that the Commission hold in confidence the FortisBC Holdings Inc. current credit facility pricing grid, filed as Attachment 3 to the Application; and
- I. The Commission reviewed the Application and determines that approval of the Application as filed is warranted and in the public interest.

NOW THEREFORE pursuant to sections 50 of the *Utilities Commission Act*, the British Columbia Utilities Commission orders as follows:

1. The fixed interest rate methodology for the \$8 million and \$12 million intercompany loans between FortisBC Energy (Whistler) Inc. and FortisBC Holdings Inc. is approved as filed, using the average of the May 31, 2014 one-year swap rate quotes from Canadian Imperial Bank of Commerce World Markets and Royal Bank of Canada Capital Markets plus a credit spread of 132.5 basis points based on FortisBC Holdings Inc.'s current credit facility pricing grid.
2. The request for approval to reset the fixed interest rate for the \$8 million and \$12 million intercompany loans between FortisBC Energy (Whistler) Inc. and FortisBC Holdings Inc. on May 31, 2014 in accordance with the fixed interest rate methodology approved by Directive 1 of this Order and extend the maturity date for a period of one year until May 31, 2015, is approved.
3. FortisBC Energy (Whistler) Inc. is directed to record any interest expense variances arising from this Order in the existing Interest Variance deferral account.
4. FortisBC Energy (Whistler) Inc. must file with the Commission on or before June 7, 2014 the actual fixed interest rates set on May 31, 2014 for the \$8 million and \$12 million intercompany loans.
5. The Commission will hold the FortisBC Holdings Inc. current credit facility pricing grid, filed as Attachment 3 to the Application, in confidence.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of April 2014.

BY ORDER

Original signed by:

D.M. Morton
Commissioner