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VIA E-MAIL

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December 8, 2006

Mr. David Bennett
General Counsel and Corporate Secretary
FortisBC Inc.
5th Floor
1628 Dixon Avenue
Kelowna, B.C. V1Y 9X1

Mr. John Hall
President & CEO
Princeton Light and Power Company, Limited
PO Box 700
Princeton, B.C. V0X 1W0
johnh@plpower.com

Dear Mr. Bennett:

Re: FortisBC Inc. ("FortisBC")
Requesting Approval to Transfer Shares and Assets of
Princeton Light and Power Company, Ltd. ("PLP") to FortisBC Inc. and
Wind-up PLP ("Application")

Further to your August 18, 2006 joint application by Fortis Pacific Holdings Inc. ("FPHI"), FortisBC and PLP for approval pursuant to the Utilities Commission Act (the "Act") Sections 41, 50, 52, 53 and 54 for the acquisition by FortisBC of a reviewable interest in PLP and the transfer of PLP shares and assets and the wind-up of PLP (the "Application"), we enclose Commission Order No. G-159-06.

The Application identified benefits of operational and administrative efficiencies resulting in lower operating and maintenance costs over time, the more efficient allocation of service crews in Oliver, Keremeos and Princeton leading to enhanced service capability and that neither FortisBC customers nor PLP customers will be harmed by the reorganization. The Application acknowledged that the corporate reorganization will result in some redundancies that will, so far as possible, be reduced through existing vacancies and future attrition. The Application identified the stakeholder communication process that FortisBC undertook where FortisBC representatives met on July 7, 2006 with PLP's office and unionized employees and with the Mayors of Princeton and Keremeos and advised them of the plan to reorganize the companies. FortisBC stated that the office employees were advised that wherever possible FortisBC would attempt to provide them with alternate employment within FortisBC.

On August 30, 2006 FortisBC filed stakeholder responses from the Mayor of the Town of Princeton, along with two of PLP's industrial customers; SBC Firemaster Ltd. and Princeton Co-Generation Corporation, supporting the transaction. The letter of support from the Mayor of the Town of Princeton dated August 25, 2006 acknowledged that "we have been made aware of the changes, which will occur when FortisBC assumes control of Princeton Light & Power. Most of the changes are positive and those that are not are as a result of the need for business to streamline so that, as much as possible, rising costs will not be passed on to consumers. We welcome the Fortis Company into our community and look forward together to a bright future."

Subsequently, by letter dated November 7, 2006 the Mayor of the Town of Princeton referred to a recent mail out to former PLP customers which indicated that the local office will be closed effective December 31, 2006. The letter stated that the Council is deeply concerned about this closure and requested that the Commission review the potential impact to the community and that the local office remain open indefinitely.

The Application does not propose any significant changes in employment and has given assurances with respect to the retention of staff and attempting to provide PLP office employees with alternate employment within FortisBC. These assurances notwithstanding, the Commission does not generally consider impacts on employment to be within the scope of this Proceeding. Beyond complying with labour laws and general principles of fairness to employees, the Commission does not generally consider job creation as an end in and of itself, nor is it a matter that is within the purview of the Commission in its regulation of public utilities. Should any staff reductions have the potential to impact customer service, the Commission has broad powers to establish, monitor and enforce the level of service provided by public utilities within its jurisdiction.

Yours truly,

A handwritten signature in black ink, appearing to read 'R. Pellatt', with a stylized flourish at the end.

Robert J. Pellatt

/cms

Enclosure

cc: Registered Intervenors

Mayor Randy McLean, Town of Princeton
169 Bridge Street, PO Box 670
Princeton, B.C. V0x 1W0



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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-159-06**

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

and

Application by Fortis Pacific Holdings Inc. ("FPHI"), FortisBC Inc. ("FortisBC")
and Princeton Light and Power Company, Limited ("PLP") for Approval
to Transfer PLP Shares and Assets to FortisBC and the Wind Up of PLP

BEFORE: L.F. Kelsey, Commissioner December 8, 2006

O R D E R

WHEREAS:

- A. Commission Order No. G-47-05, dated May 19, 2005, approved the purchase of all the issued and outstanding shares of PLP by Fortis Inc. and the transfer to FPHI; and
- B. On August 18, 2006, FortisBC, FPHI and PLP (the "Applicants") applied, pursuant to Sections 41, 50, 52, 53 and 54 of the Utilities Commission Act ("Act"), and subject to the necessary consent of the Lieutenant Governor in Council ("LGIC"), for approval of the following ("the Application"):
 - The acquisition by FortisBC of a reviewable interest in PLP through the purchase of all the issued and outstanding shares in the capital of PLP (the "PLP Shares") to be effective December 31, 2006;
 - The registration on the books of PLP of the transfer of the PLP Shares from FPHI to FortisBC to be effective December 31, 2006;
 - The issuance of shares in the capital of FortisBC to FPHI in consideration and for the value of the transfer of all of the PLP Shares to FortisBC to be effective December 31, 2006;
 - The transfer of all of the assets of PLP from PLP to FortisBC to be effective January 1, 2007;
 - The corporate winding up of PLP to be effective on January 1, 2007;
 - The discontinuance of all electricity service operations by PLP effective upon the assumption by FortisBC of such electricity service operations, on January 1, 2007;
 - The application of PLP's current Electric Tariff by FortisBC to (i) customers who are PLP customers on December 31, 2006, and (ii) persons who become customers after December 31, 2006 who, but for the transfer of the assets of PLP to FortisBC, would have been customers of PLP, in each case until October 1, 2007;

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-159-06

2

- The application of FortisBC's Electric Tariff in effect on October 1, 2007 by FortisBC to (i) customers who are PLP customers on December 31, 2006, and (ii) persons who become customers after December 31, 2006 who, but for the transfer of the assets of PLP to FortisBC, would have been customers of PLP, on October 1, 2007 onward; and
- C. On August 30, 2006, FortisBC filed stakeholder responses from the Mayor of Princeton, along with two of PLP's industrial customers; SBC Firemaster Ltd. and Princeton Co-Generation Corporation supporting the transaction; and
- D. By Order No. G-106-06 dated August 31, 2006, the Commission established a written hearing process and issued a regulatory timetable to review the Application; and
- E. Following a review of the Application, the information requests and responses and the submissions received, the Commission submitted a report to the LGIC that concluded the proposed consolidation and merger and the wind-up of PLP are beneficial in the public interest and recommended that the LGIC, by Order, consent to the requested transaction by FortisBC, pursuant to subsection 53(1)(a)(i) of the Act; and
- F. On December 1, 2006, the LGIC's consent to the merger was obtained and Order in Council 852, 2006 was issued; and
- G. Commission Order No. G-65-06 approved PLP's 2006 revenue requirements application and required PLP to file a report on its Contracting Activities Deferral Account and a program justification prudence report on its Meter Upgrade Program. Some of the information responses and submissions in this Application refer to these two reports which were subsequently filed on November 30, 2006; and
- H. The Commission has reviewed the Application and the submissions received and considers that approval is warranted.

NOW THEREFORE the Commission orders as follows:

1. Pursuant to sections 41, 50, 52, 53 and 54 of the Act, the Commission approves the Application.
2. The Commission determination on the PLP Contracting Activities Deferral Account and the program justification prudence report on its Meter Upgrade Program will be made by way of a future Order.

DATED at the City of Vancouver, in the Province of British Columbia, this *BH* day of December 2006.

BY ORDER



L.F. Kelsey
Commissioner