


MADE at the City of Calgary, in the Province of Alberta, on  7th day of February 2008.	 ALBERTA UTILITIES COMMISSION
ATCO Gas and Pipelines Ltd. Issuance of a 5.556% Debenture	Application No. 1549951

## 1 BACKGROUND

On December 6, 2007, ATCO Gas and Pipelines Ltd. (AGPL) filed an application (Application) with the Alberta Energy and Utilities Board (Board) for approval to issue a 5.556% debenture to its parent company, CU Inc., in the amount of \$85,000,000.

The Application was made in December 2007 prior to the January 1, 2008 creation of the Alberta Utilities Commission (AUC or Commission) pursuant to the *Alberta Utilities Commission Act* S.A. c. A-37.2 (the Act). The Board issued Notice of Application (Notice) to interested parties on December 18, 2007. The Notice stated that this matter would continue as an AUC matter as of January 1, 2008.

The Application was considered pursuant to Section 26(2)(a) of the *Gas Utilities Act*, R.S.A. 2000, c.G-5, as amended, (GUA) and Section 101(2)(a) of the *Public Utilities Act*, R.S.A. 2000, c.P-45, as amended, (PU Act). Section 26(2)(a) of the GUA provides:

26(2) No owner of a gas utility designated under subsection (1) shall  
(a) issue any

- (i) of its shares or stock, or
- (ii) bonds or other evidences of indebtedness, payable in more than one year from the date of them,

unless it has first satisfied the Commission that the proposed issue is to be made in accordance with law and has obtained the approval of the Commission for the purposes of the issue and an order of the Commission authorizing the issue, ...

The Commission formally accepts all information filed on the record before the Board, adopts all directions and rulings made by the Board and Board staff, and transfers all information to an AUC proceeding.

The Notice requested that interested parties file Statements of Intention to Participate (SIPs) to the Application by January 8, 2008.

The Commission received one SIP from the Office of the Utilities Consumer Advocate (UCA). By letter dated January 18, 2008, the UCA submitted that it did not object to the Application. The Commission considers that the close of record for this proceeding was January 8, 2008.

## **2 DETAILS OF THE APPLICATION**

On November 1, 2007, CU Inc., the parent company of AGPL, completed the sale of a \$220,000,000 debenture to the public. The CU Inc. debenture had a maturity date of October 30, 2037, and a yield to maturity of 5.556%. This issue was made in compliance with Board Decisions U99115<sup>1</sup> and U99118<sup>2</sup> which exempt CU Inc. from the requirement to obtain approval prior to issuing securities.

AGPL's proposed debenture will mature on October 30, 2037, and contains repayment and redemption provisions, as well as other terms and conditions that reflect comparable provisions to the CU Inc. debenture. The net proceeds to AGPL, after the deduction of its pro rata shares of the issue fees and expenses of CU Inc., are estimated to be approximately \$84,482,000. Of these net proceeds, \$64,604,000 will be allocated to the ATCO Gas division of AGPL and \$19,878,000 will be allocated to the ATCO Pipelines division of AGPL.

The remainder of the net proceeds from the \$220,000,000 debenture (\$135,000,000) is to be allocated to ATCO Electric Ltd.

In letters dated February 1, 2008, CU Inc. indicated that this debenture issue is to maintain ATCO Gas' common equity ratio of 38% and ATCO Pipelines common equity ratio of 43% established in the Generic Cost of Capital proceeding,<sup>3</sup> and is not related to either ATCO Gas' proposal in its 2008-2009 General Rate Application (GRA) to increase its common equity ratio to 40%, nor ATCO Pipelines proposal in its 2008-2009 GRA to increase its common equity ratio to 47.5%. Further, CU Inc. argued that the issue of the debenture is best dealt with in this Application instead of within ATCO Pipelines' and/or ATCO Gas' next GRA.

AGPL further stated that the rate of interest and other terms and conditions attached to the debenture are, in the opinion of management, more favourable to AGPL than would have been the case if AGPL had carried out long-term debt financing on its own. AGPL considered that the proposed debenture to CU Inc. will not be prejudicial to the interests of AGPL's customers nor to the interests of the public of the Province of Alberta.

## **3 ORDER**

The Commission has reviewed the Application, and considers that AGPL has complied with the requirements of section 26(2)(a) of the GUA and section 101(2)(a) of the PU Act and is satisfied that the issue of the debenture will be made in accordance with legislative requirements as opined by Bennett Jones LLP in Exhibit "F" of the Application. The Commission is satisfied with the purposes of the issue and is satisfied that the debenture will not be detrimental to the interests of customers of ATCO Gas and ATCO Pipelines.

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<sup>1</sup> Decision U99115, issued November 23, 1999

<sup>2</sup> Decision U99118, issued December 21, 1999 was a variance to the Order approved as part of Decision U99115 providing clarification sought by CU Inc.

<sup>3</sup> Decision 2004-052, Generic Cost of Capital, issued July 2, 2004

The Commission notes that nothing in the Order will bind, affect or prejudice the Commission's consideration of any matter relating to the cost of capital in future proceedings. Specifically, the Commission retains the ability to exercise regulatory scrutiny and to review the cost of capital with respect to the debt of AGPL during the consideration of any GRA of either ATCO Gas or ATCO Pipelines.

THEREFORE, IT IS HERBY ORDERED THAT:

- (1) ATCO Gas and Pipelines Ltd. is authorized to issue a 30-year, 5.556% debenture to CU Inc., in the principal amount of \$85,000,000 with a maturity date of October 30, 2037.

END OF DOCUMENT