


MADE at the City of Calgary, in the Province of Alberta, on 27th day of March 2008.	 ALBERTA UTILITIES COMMISSION
AltaGas Utilities Inc. Issuance of Class A Common Shares	Application No. 1558635

1 BACKGROUND

On January 31, 2008 AltaGas Utilities Inc. (AUI) filed an application (Application) with the Alberta Utilities Commission (AUC or the Commission) for approval to issue Class “A” common shares (common shares) to AltaGas Utility Holdings Inc. (AUHI). AUHI is the parent company of AUI.

AUI filed the Application pursuant to section 26(2)(a) of the *Gas Utilities Act*, R.S.A. 2000 c.G-5, as amended (GUA), which 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 electronically issued notice of Application (Notice) on February 7, 2008 to registered interested parties from Application No. 1494406 (AUI 2007 General Rate Application – Phase 1). Notice was also published in four major daily newspapers on February 13, 2008. The Notice requested that interested parties submit a Statement of Intent to Participate (SIP) by February 22, 2008.

The Commission received one SIP by the due date, which was from the Consumers Coalition of Alberta (CCA). In its SIP, the CCA advised that it had no objections with respect to the issuance of the common shares by AUI.

The Commission considers that the close of record for this proceeding was February 22, 2008.

2 DETAILS OF THE APPLICATION

AUI applied to the AUC for an Order:

- 1) Approving and authorizing AUI to issue up to 172,652 common shares at a price of \$28.96 per share to AUHI for a maximum aggregate consideration of \$5,000,000.00;
- 2) Approving the purposes of the issue, which is to:
 - (a) provide financing for capital expenditures and for other general corporate purposes and
 - (b) maintain a capital structure that includes the 41% common equity ratio approved for AUI by the Alberta Energy and Utilities Board, predecessor to the AUC, in Decision 2004-052 dated July 2, 2004;
- 3) Providing such further and other relief as AUI may request and the Commission may grant in the circumstances.

The issue price of \$28.96 represented the average book value per share of the 1,390,000 outstanding common shares at December 31, 2007. In support of the Application, AUI provided a certified copy of the Resolution of the Directors of AUI authorizing the issue of the common shares and an opinion of its legal counsel, MacPherson, Leslie & Tyerman LLP, that it has the corporate power and capacity to issue the common shares and that the issue would not violate the provisions contained in any of its outstanding debentures. AUI also provided a pro forma capital structure as follows:

	January 1, 2008		January 1, 2008 After Giving Effect to The Issue of the Shares ⁽¹⁾	
	Amount (\$000s)	%	Amount (\$000s)	%
Long-term Debt	60,000.0	59.8	60,000.0	57.0
Common Equity	<u>40,251.1</u>	<u>40.2</u>	<u>45,251.1</u>	<u>43.0</u>
Total Capital	<u>100,251.1</u>	<u>100.0</u>	<u>105,251.1</u>	<u>100.0</u>

- (1) AUI's common equity ratio at December 31, 2006 was 40%. After giving effect to the issue of the common shares the pro forma mid-year common equity ratio would be 41%.

AUI advised that AUHI owned all of the issued and outstanding common shares of AUI. Therefore, the issuance of the common shares to AUHI would have no effect on the control of AUI or on the voting power related to the shares of AUI.

AUI's proposed issuance of common shares will maintain a capital structure which approximates the Alberta Energy and Utilities Board approved capital structure, including the 41% common

equity ratio, which was determined in the Generic Cost of Capital Decision 2004-052, dated July 2, 2004.

3 ORDER

The Commission has reviewed the Application, and considers that AUI has complied with the requirements of section 26(2)(a) of the GUA and that the issuance of the common shares will be made in accordance with legislative requirements as opined by MacPherson, Leslie & Tyerman LLP. The Commission is satisfied with the purposes for the issuance of the common shares and that the issue will not be detrimental to the interests of AUI's customers.

The Commission notes that AUI requested approval to issue up to 172,652 common shares. To the extent that AUI issues less than the maximum number requested, AUI is directed to advise the Commission within thirty days from the issue date of the following: the actual number of common shares issued; the reason for the lesser number; and the related impact on the common equity ratio.

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 common equity of AUI during the consideration of a general rate application.

THEREFORE, IT IS HEREBY ORDERED THAT:

AltaGas Utilities Inc. is authorized to issue up to 172,652 common shares at a price of \$28.96 per share to AltaGas Utility Holdings Inc. for a maximum aggregate consideration of \$5,000,000.00.

END OF DOCUMENT